

AUBURN UNION SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2017

AUBURN UNION SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017
(Continued)

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION.....	16
STATEMENT OF ACTIVITIES.....	17
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUNDS.....	18
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION.....	19
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS.....	20
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES.....	21
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - ALL AGENCY FUNDS.....	22
NOTES TO FINANCIAL STATEMENTS.....	23
REQUIRED SUPPLEMENTARY INFORMATION:	
GENERAL FUND BUDGETARY COMPARISON SCHEDULE.....	48
CHARTER SCHOOLS FUND BUDGETARY COMPARISON SCHEDULE.....	49
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS.....	50
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY.....	51
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS.....	53
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION.....	55
SUPPLEMENTARY INFORMATION:	
COMBINING BALANCE SHEET - ALL NON-MAJOR FUNDS.....	57

AUBURN UNION SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

CONTENTS

SUPPLEMENTARY INFORMATION: (CONTINUED)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - ALL NON-MAJOR FUNDS.....	58
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS.....	59
ORGANIZATION.....	60
SCHEDULE OF AVERAGE DAILY ATTENDANCE.....	61
SCHEDULE OF INSTRUCTIONAL TIME.....	62
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS.....	63
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS.....	64
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS - UNAUDITED.....	65
SCHEDULE OF CHARTER SCHOOLS.....	66
NOTES TO SUPPLEMENTARY INFORMATION.....	67
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	69
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	72
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE	74
FINDINGS AND RECOMMENDATIONS:	
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS.....	76
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS.....	80

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Auburn Union School District
Auburn, 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 Auburn Union School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Auburn Union 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 the Auburn Union School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 15 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule, Charter Schools Fund Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 48 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The schedule of expenditure of federal awards and supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, 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 schedule of expenditure of federal awards and supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 on our consideration of Auburn Union 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Auburn Union School District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 12, 2017



AUBURN UNION SCHOOL DISTRICT

255 EPPERLE LANE, AUBURN, CA 95603
PHONE 530-745-8814 FAX 530-885-5170

MANAGEMENT DISCUSSION AND ANALYSIS Fiscal Year Ending June 30, 2017

This annual report consists of three parts – Management’s Discussion & Analysis, the basic financial statements and required supplementary information.

The Management’s Discussion and Analysis consists of six sections:

- **Overview of the Financial Statements** – Serves as a guide to reading the financial statements provided in the sections following the Management’s Discussion & Analysis.
- **Financial Highlights** – Emphasizes significant actions implemented by the District, as well as significant factors affecting the District.
- **Financial Analysis of the District as a Whole** – Illustrates the District’s current, as well as, long-term assets and liabilities.
- **Financial Analysis of the District’s Funds** – Illustrates and compares the District’s primary activities.
- **Capital Asset and Debt Administration** – Illustrates the District’s investment in capital assets and its level of debt.
- **Economic Factors and Next Year’s Budget** – Illustrates issues that management sees as relevant to the future financial health of the District.

The following section provides an overview of the District’s financial activities for the fiscal year ending June 30, 2017. It is management’s view of the District’s financial condition. It should be read in conjunction with the independent auditor’s opinion, the basic financial statements, and the accompanying notes to those financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

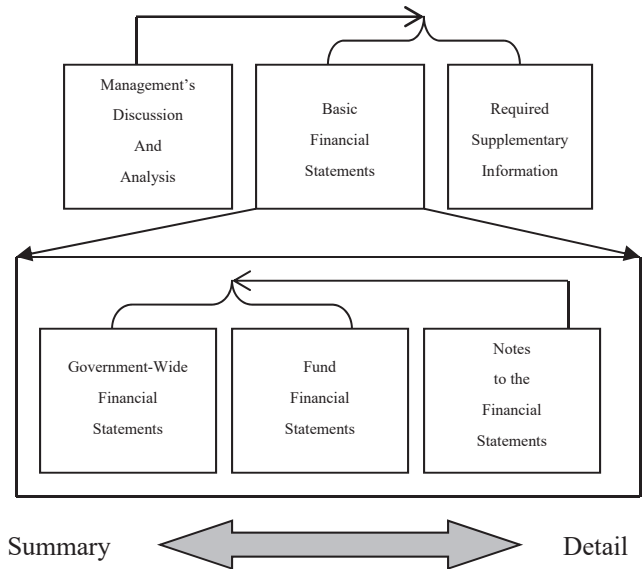
The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District’s operations in more detail than the government-wide statements.

The fund financial statements can be further broken down into two types:

- *Governmental funds statements* illustrate how basic services (such as regular and special education) were financed in the short-term, as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the district acts solely as trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the fiscal year. The diagram presented here shows how the various parts of the annual financial report are arranged and relate to one another.



The chart on the next page summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and content of each of the statements.

Major Features of the Government-Wide and Fund Financial Statements

	Fund Statements		
	Government-Wide Statements	Government Funds	Fiduciary Funds
Scope	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as student activities monies
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balance	Statement of Fiduciary Assets and Liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities both short-term and long-term; Standard funds do not currently contain non-financial assets, though they can
Type of inflow / outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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 District's assets, deferred outflows, liabilities and deferred inflows. 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 (the difference between the District's assets plus deferred outflows and liabilities plus deferred inflows) is one way to measure the District's financial health. Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating. To assess the overall health of the District, additional non-financial factors (including the condition of the District's school buildings and other facilities) must be considered.

In the government-wide financial statements, the District's activities are reported as Governmental activities. Most of the District's services are included here, such as regular education, special education, transportation and administration. Funding received from the State of California through the Local Control Funding Formula, along with categorical and special funding received from the federal and state governments finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that certain revenues have been properly used.

There are two types of funds that the District utilizes:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps in the determination of whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. This information does not encompass the additional long-term focus of the government-wide statements; therefore additional information at the bottom of the governmental funds statements is provided that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets in these funds are used only for their intended purposes and only by those to whom they belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance operations.

FINANCIAL HIGHLIGHTS

- The financial statements reflect the District's educational policy of sound instructional programs and delivery systems through the prudent allocation of financial resources.
- Auburn Union School district consists of three traditional elementary schools, one charter elementary school and one charter middle school:
 - Traditional schools: Auburn Elementary, Rock Creek Elementary and Skyridge Elementary
 - Charter elementary school: Alta Vista Community Charter School
 - Charter middle school: EV Cain STEM Charter School
- District-wide enrollment has declined 8 out of the last 10 years. Enrollment in 2016/17 was 2,035, which is a decline of five students from the prior year.
- The ratio of attendance to enrollment was approximately 96% in 2016/17.
- Local Control Funding Formula (LCFF), which was introduced in 2013/14, is designed to provide local education agencies with flexibility to direct resources to meet student needs, increase funding transparency and simplify how funding is provided to schools. LCFF focuses attention on performance by creation of the Local Control Accountability Plan (LCAP). The LCAP describes how resources are used, with a focus on eight State priorities, linking programs to local education agency budgets.
- In 2016/17, the District's number of unduplicated English language learner, economically disadvantaged and foster student population was 1,138 which represents 56% of enrollment.
- During 2016/17, Certificate of Participation (COP) payments for debt service were funded from developer fees, interest income and tax revenue.
- Starting in 2014/15 the Governmental Accounting Standards Board implemented GASB Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The result is the recognition of a Net Pension Liability and Deferred Outflows and Inflows on the District's Statement of Net Position. While this has a significant negative impact on the District's Net Position, it does not represent a liability for which the district must make payments in the foreseeable future.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A review of the District as a whole can best be seen in the strength of the District's net position and the subsequent changes in net position.

The computation of the District net position is presented by category in the table below:

	Government-Wide Statement of Net Position		
	June 30, 2016	June 30, 2017	% Variance
Assets:			
Cash and Investments	\$ 36,631,200	\$ 39,522,078	
Receivables	1,300,555	1,265,390	
Prepaid Expenses	34,447	55,666	
Store Inventory	56,837	63,868	
Capital Assets, net of Depreciation	11,246,340	10,546,570	
Total Assets	49,269,379	51,453,572	4.4%
Deferred Outflows of Resources	3,590,452	5,485,562	52.8%
Liabilities:			
Accounts Payable	2,056,892	1,890,172	
Unearned Revenue	0	0	
Long-term Liabilities			
Current Portion	465,455	337,649	
Non-Current Portion	57,246,655	60,269,289	
Total Liabilities	59,769,002	62,497,110	4.6%
Deferred Inflows of Resources	1,707,000	1,309,000	-23.3%
Net Position:			
Net investment in capital assets	4,412,436	5,017,522	
Restricted	3,158,767	4,264,470	
Unrestricted	(16,187,374)	(16,148,968)	
Total Net Position	\$ (8,616,171)	\$ (6,866,976)	20.3%

Total net position increased by \$1,749,195 during the 2016/17 fiscal year. Capital assets net of depreciation decreased by a total of \$699,770 due to depreciation. Cash and Investments increased by \$2,890,878 due to increased funding from local tax revenues and additional grant revenues operations. Deferred outflows related to pensions increase approximately \$1,983,932. Long-term liabilities had a net increase of \$2,728,108 primarily a result of accruals relating to GASB 68.

GASB 68 (pension related) transactions included on the Statement of Net Position are as follows:

Deferred Outflows of Resources: \$3,575,898

Deferred Inflows of Resources: \$1,309,000

Net Pension Liability: \$18,555,000

It should be noted that land is accounted for at purchase value, not market value, and is not depreciated. Fair value for district property is significantly higher than book value recorded in assets as the District acquired the land decades ago.

Changes in Net Position

A summary of total District revenues, expenses, and change in net position is presented in the table below:

	Government-Wide Activities		
	2015/16	2016/17	% Variance
Revenues – Program:			
Charges for Services	\$ 411,406	\$ 616,752	
Operating Grants and Contributions	3,764,127	4,398,573	
Revenues – General:			
Taxes Levied for General Purposes	9,944,653	10,494,015	
Taxes Levied for Other Debt Service	357,366	372,282	
Taxes Levied for Other Specific Purposes	126,202	144,229	
Unrestricted Federal and State Aid	7,624,125	7,293,884	
Interest and Investment Earnings	2,077,347	1,980,050	
Miscellaneous	357,087	341,948	
Total Revenues	\$ 24,662,313	\$ 25,641,733	4.0%
Expenses			
Instruction	\$ 12,533,520	\$ 12,474,487	
Instruction Related	1,809,545	1,838,082	
Pupil Services	2,813,770	3,051,930	
General Administration	1,566,099	1,508,088	
Plant Services	2,398,718	2,751,602	
Other Expenses	2,556,112	2,268,349	
Total Expenses	\$ 23,677,764	\$ 23,892,538	0.9%
Net Position, Beginning of the Year	\$ (9,600,720)	\$ (8,616,171)	
Decrease in Net Position	984,549	1,749,195	
Net Position, End of the Year	\$ (8,616,171)	\$ (6,866,976)	20.30%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Ending Fund Balances	2015/16	2016/17	Difference	% Change
General (Unrestricted & Restricted)	\$ 3,102,890	\$ 4,033,564	\$ 930,674	30.0%
Charter Schools	1,284,999	2,017,693	732,694	57.2%
Cafeteria	710,563	671,135	(39,428)	-5.5%
Building	17,622	17,643	21	0.1%
Capital School Facilities	71,113	238,246	167,133	235.0%
County School Facilities	48	48	0	0.0%
Special Reserve for Capital Outlay	34	34	0	0.0%
Mello Roos - Capital Project	365	369	5	1.1%
Mello Roos - Debt Service	48,780	83,645	34,865	71.5%
Special Reserve 56 Debt Service	30,841,787	32,062,868	1,221,081	4.0%
Total	\$ 36,078,201	\$ 39,125,245	\$ 3,047,044	8.4%

As the District completed the year, its funds reported a combined fund balance of \$39,127,261 in 2016/17, which is illustrated above.

Following is a recap of the District's core General Fund:

GENERAL FUND RECAP

Description	2015/16 Unaudited Actuals	2016/17 Unaudited Actuals	Difference
Beginning Balance	\$ 2,349,624	\$ 3,102,890	\$ 753,266
Revenues + Transfer In/Sources	15,988,944	15,696,285	(292,659)
Expenditure + Transfer Out/Uses	15,235,678	14,765,610	(470,068)
Ending Balance	\$ 3,102,890	\$ 4,033,565	\$ 930,675

GENERAL FUND RECAP (UNRESTRICTED)

Description	2015/16 Unaudited Actuals	2016/17 Unaudited Actuals	Difference
Beginning Balance	\$ 1,635,320	\$ 2,211,464	\$ 576,144
Revenues + Transfer In/Sources	13,065,748	11,559,511	(1,506,237)
Expenditure + Transfer Out/Uses	12,489,604	10,948,875	(1,540,729)
Ending Balance	\$ 2,211,464	\$ 2,822,101	\$ 610,637

Combined General Fund

Revenue of General Fund is classified as Unrestricted and Restricted. Following is a recap of General Fund revenue by classification:

Description	Unrestricted	Restricted	Combined
LCFF Sources	\$ 10,596,933	\$ 302,052	\$ 10,898,985
Federal Revenue	31,296	958,731	990,027
Other State Revenue	476,683	966,195	1,442,878
Other Local Revenue	230,255	1,004,466	1,234,721
Transfers In From Other Funds	956,365	587,594	1,543,959
Unrestricted Contributions to Restricted	(2,151,732)	2,151,732	0
Total Revenue	\$ 10,139,800	\$ 5,970,770	\$ 16,110,570

Combined General Fund

Following is a recap of General Fund expenditures by category:

	Unrestricted	Restricted	Combined
Certificated Salaries	\$ 4,327,899	\$ 1,407,050	\$ 5,734,949
Classified Salaries	1,420,684	1,175,031	2,595,715
Employee Benefits	1,671,044	1,094,743	2,765,787
Books and Supplies	221,111	101,139	322,250
Services	1,781,013	913,910	2,694,923
Capital Outlay	107,413	0	107,413
Other Outgo/Transfers Out	0	958,859	958,859
Total Expenditures	\$ 9,529,164	\$ 5,650,732	\$ 15,179,896

The General Fund is used for expenditures for many of the functions within the District, 76% of all expenditures are tied to salaries and benefits. Salaries and benefits comprise 84% and 64% of expenses for unrestricted and restricted funding sources, respectively.

The following programs required financial contributions to fund operations:

Underfunded Programs	Amount
Restricted Maintenance Account – AUSD General Fund Contribution	\$ 806,991
Special Education – AUSD General Fund Contribution	1,344,741
Special Education – Charter Fund Contribution	905,330
Total Contributions	\$ 3,057,062

Following is a recap of the District’s Charter Schools Fund

The District operates E. V. Cain Charter Middle School serving students in grade 6-8.

Charter School Fund Recap E. V. Cain 21st Century STEM Charter

Description	2015/16 Unaudited Actuals	2016/17 Unaudited Actuals	Difference
Beginning Balance	\$ 732,584	\$ 1,196,238	\$ 463,654
Revenues + Transfer In/Sources	5,488,028	5,704,454	216,426
Expenditure + Transfer Out/Uses	5,024,374	5,128,641	104,267
Ending Balance	\$ 1,196,238	\$ 1,772,051	\$ 575,813

The Charter receives funding from several sources. Following is a breakdown of major funding sources:

E. V. Cain Charter Revenue

General Purpose LCFF Sources	\$ 5,020,080
Other State Revenues	630,643
Other Local Revenues	53,732
Total	\$ 5,704,455

Below is a breakout of expenses for EV Cain Charter. Other Outgo/Transfer expenses are comprised of services shared with the district and indirect/oversight costs.

E. V. Cain Charter Expenses

Certificated Salaries	\$ 2,162,632
Classified Salaries	401,120
Employee Benefits	859,170
Books and Supplies	105,643
Services	334,528
Capital Outlay	14,343
Other Outgo/Transfers Out	1,251,206
Total Expenditures	\$ 5,128,642

The District operates Alta Vista Community Charter School serving students in grades K-5.

Charter School Fund Recap Alta Vista Community Charter School

Description	2015/16 Unaudited Actuals	2016/17 Unaudited Actuals	Difference
Beginning Balance	\$ 82,529	\$ 88,761	\$ 6,232
Revenues + Transfer In/Sources	974,408	1,368,694	394,286
Expenditure + Transfer Out/Uses	968,176	1,194,927	226,751
Ending Balance	\$ 88,761	\$ 156,881	\$ 68,120

The Charter receives funding from several sources. Following is a breakdown of major funding sources:

Alta Vista Community Charter School Revenue

General Purpose LCFF Sources	\$ 1,067,392
Other State Revenues	282,001
Other Local Revenues	19,301
Total	\$ 1,368,694

Below is a breakout of expenses for Alta Vista Charter. Other Outgo/Transfer expenses are comprised of services shared with the district and indirect/oversight costs.

Alta Vista Community Charter School Expenses

Certificated Salaries	\$ 503,747
Classified Salaries	145,438
Employee Benefits	202,977
Books and Supplies	27,974
Services	84,926
Other Outgo/Transfers Out	246,751
Total Expenditures	\$ 1,211,813

General Fund Budgetary Highlights

Budget revisions were made through-out the fiscal year. The items included in these revisions fell into four main categories:

- Increases to both estimated income and expenditures due to the receipt of new grant awards or donations.
- The budgeting of carryover balances from prior years. It is District policy not to budget carryover balances until after the end of the prior fiscal year.
- Increases / decreases in salaries as a result of salary negotiations
- Increases in appropriations to prevent budget overruns.

The District's 2016/17 General Fund operating budget was adopted by the Governing Board in June of 2016. As adopted, budgeted fund inflows totaled \$15.1 million, and projected fund outflows totaled \$14.9 million. As a result of budgeted revenues exceeding appropriations, the District originally estimated an increase to fund balance of \$191K. The actual results reflect an increase to fund balance of \$931K. This resulted in an ending fund balance of approximately \$4.0 million, combined unrestricted and restricted funds. Of this amount, \$2.8 million is unrestricted.

Below is a summary of the primary differences when comparing the actual results to the originally adopted 2016/17 budget:

- The District received \$606K more in revenue and other financing sources than the original budget as a result of:
 - Receipt of \$330K in Energy Efficiency Grant revenue.
 - Federal revenue increased by \$100K due to higher than projected receipts of special education and Medical funds.
 - The district received an additional \$69K of community redevelopment revenue. These revenues vary significantly from year to year.
 - The remaining differences are from all other sources, including local revenues.
- The District incurred outflows or expenses of \$133K less than the original budget as a result of:
 - Total salaries and benefits were relatively unchanged from original budget to actual results. Certificated salaries were higher than projected, while classified salaries were lower than projected.
 - Expenses for supplies decreased by \$204K primarily due to the district not adopting new textbooks during the year.
 - Service expenses increased by \$168K primarily as a result of increases in professional services and subagreements for non-private schools.
 - Capital outlay decreased by \$153K as the budget for equipment purchases was re-allocated for other purposes.
 - Other outgo and expenses increased by \$57K as a result of changes for indirect costs, transfers out and in.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets at Year-End (Net of Depreciation)

	2015/16	2016/17	Difference
Land	\$ 2,029,376	\$ 2,204,807	\$ 175,431
Improvement of Sites	72,831	62,575	(10,256)
Buildings	8,832,250	7,973,805	(858,445)
Equipment	311,883	305,383	(6,500)
Totals	\$ 11,246,340	\$ 10,546,570	\$ 699,770

The decrease in the District's capital assets consists of recognizing depreciation expense for the 2016/17 fiscal year in the amount of \$1,020,014. The District purchased equipment and improved sites in the amount of \$320,244 in 2016/17.

Outstanding Debt at Year-End

	2015/16	2016/17	Difference
Certificates of Participation (COP)	\$ 39,672,117	\$ 39,477,117	\$ (195,000)
COP Accreted Interest Payable	1,178,392	1,295,972	117,580
Compensated Absences	129,753	129,432	(321)
Net Pension Liability (GASB 68)	15,766,000	18,555,000	2,789,000
Retiree Health Benefits	965,848	1,149,417	183,569
Totals	\$57,712,110	\$ 60,606,938	\$ 2,894,828

The District's long-term liabilities increased from 2015/16 to 2016/17 by \$2.9 million primarily as a result of GASB 68 requirements.

This financial report is designed to provide our parents, citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Scott Bentley
 Chief Business Officer
 Auburn Union School District
 255 Epperle Lane
 Auburn, CA 95603
 (530) 745-8814

BASIC FINANCIAL STATEMENTS

AUBURN UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 39,522,078
Receivables	1,265,390
Prepaid expenses	55,666
Stores inventory	63,868
Non-depreciable capital assets (Note 4)	2,204,807
Capital assets, net of accumulated depreciation (Note 4)	<u>8,341,763</u>
Total assets	<u>51,453,572</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 7 and 8)	3,575,898
Deferred outflow from advance refunding of debt	<u>1,909,664</u>
Total deferred outflows of resources	<u>5,485,562</u>
LIABILITIES	
Accounts payable	1,890,172
Long-term liabilities (Note 5):	
Due within one year	337,649
Due after one year	<u>60,269,289</u>
Total liabilities	<u>62,497,110</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>1,309,000</u>
NET POSITION	
Net investment in capital assets	5,017,522
Restricted:	
Legally restricted programs	3,900,022
Capital projects	256,340
Debt service	108,108
Unrestricted	<u>(16,148,968)</u>
Total net position	<u>\$ (6,866,976)</u>

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

AUBURN UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenues and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental activities:					
Instruction	\$ 12,474,487	\$ 36,957	\$ 1,810,275	\$ -	\$ (10,627,255)
Instruction-related services:					
Supervision of instruction	366,748	-	88,316	-	(278,432)
Instructional library, media and technology	80,026	-	-	-	(80,026)
School site administration	1,391,308	93	54,801	-	(1,336,414)
Pupil services:					
Home-to-school transportation	732,722	-	400	-	(732,322)
Food services	975,146	181,724	757,638	-	(35,784)
All other pupil services	1,344,062	-	370,751	-	(973,311)
General administration:					
Data processing	266,089	-	-	-	(266,089)
All other general administration	1,241,999	18,033	317,734	-	(906,232)
Plant services	2,751,602	-	751,207	-	(2,000,395)
Ancillary services	31,281	24,195	4,128	-	(2,958)
Interest on long-term liabilities	1,473,326	-	-	-	(1,473,326)
Other outgo	<u>763,742</u>	<u>355,750</u>	<u>243,323</u>	<u>-</u>	<u>(164,669)</u>
Total governmental activities	<u>\$ 23,892,538</u>	<u>\$ 616,752</u>	<u>\$ 4,398,573</u>	<u>\$ -</u>	<u>(18,877,213)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					10,494,015
Taxes levied for debt service					372,282
Taxes levied for other specific purposes					144,229
Federal and state aid not restricted to specific purposes					7,293,884
Interest and investment earnings					1,980,050
Miscellaneous					<u>341,948</u>
Total general revenues					<u>20,626,408</u>
Change in net position					1,749,195
Net position, July 1, 2016					<u>(8,616,171)</u>
Net position, June 30, 2017					<u>\$ (6,866,976)</u>

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

AUBURN UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	<u>General Fund</u>	<u>Charter Schools Fund</u>	<u>Special Reserve 56 Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 6,570,351	\$ -	\$ 24,434	\$ 851,271	\$ 7,446,056
Cash awaiting deposit	8,005	1,013	-	5,058	14,076
Cash on hand and in banks	-	-	-	18,541	18,541
Cash in revolving fund	5,000	-	-	-	5,000
Cash with Fiscal Agent	-	-	32,038,405	-	32,038,405
Receivables	924,174	237,934	29	103,253	1,265,390
Due from other funds	1,954,559	3,825,815	-	70,373	5,850,747
Prepaid expenditures	37,031	17,835	-	800	55,666
Stores inventory	-	-	-	63,868	63,868
	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,868</u>	<u>63,868</u>
Total assets	<u>\$ 9,499,120</u>	<u>\$ 4,082,597</u>	<u>\$ 32,062,868</u>	<u>\$ 1,113,164</u>	<u>\$ 46,757,749</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,569,368	\$ 156,347	\$ -	\$ 56,042	\$ 1,781,757
Due to other funds	<u>3,896,188</u>	<u>1,908,557</u>	<u>-</u>	<u>46,002</u>	<u>5,850,747</u>
Total liabilities	<u>5,465,556</u>	<u>2,064,904</u>	<u>-</u>	<u>102,044</u>	<u>7,632,504</u>
Fund balances:					
Nonspendable	42,031	17,835	-	64,668	124,534
Restricted	1,211,194	1,999,858	32,062,868	946,452	36,220,372
Assigned	2,315,303	-	-	-	2,315,303
Unassigned	<u>465,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>465,036</u>
Total fund balances	<u>4,033,564</u>	<u>2,017,693</u>	<u>32,062,868</u>	<u>1,011,120</u>	<u>39,125,245</u>
Total liabilities and fund balances	<u>\$ 9,499,120</u>	<u>\$ 4,082,597</u>	<u>\$ 32,062,868</u>	<u>\$ 1,113,164</u>	<u>\$ 46,757,749</u>

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

AUBURN UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017

Total fund balances - Governmental Funds \$ 39,125,245

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$29,853,824 and the accumulated depreciation is \$19,307,254 (Note 4). 10,546,570

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2017 consisted of (Note 5):

Certificates of Participation	\$ (39,477,117)	
Accreted interest	(1,295,972)	
Other postemployment benefits (Note 9)	(1,149,417)	
Compensated absences	(129,432)	
Net pension liability (Notes 7 and 8)	<u>(18,555,000)</u>	(60,606,938)

In governmental funds, interest on long-term liabilities 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. (108,415)

Deferred outflows of resources resulting from defeasance of debt are not recorded in governmental funds. In governmental activities, for advanced refundings resulting in the defeasance of debt reported in the governmental activities, the difference between the reacquisition price and the net carrying amount of the retired debt are reported as deferred outflows of resources (Note 5). 1,909,664

In government 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 (Note 7 and 8).

Deferred outflows of resources relating to pensions	\$ 3,575,898	
Deferred inflows of resources relating to pensions	<u>(1,309,000)</u>	<u>2,266,898</u>

Total net position - governmental activities \$ (6,866,976)

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

AUBURN UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Charter Schools Fund	Special Reserve 56 Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 4,484,752	\$ 2,276,489	\$ -	\$ -	\$ 6,761,241
Local sources	6,414,233	3,810,983	-	-	10,225,216
Total LCFF	<u>10,898,985</u>	<u>6,087,472</u>	<u>-</u>	<u>-</u>	<u>16,986,457</u>
Federal sources	990,027	-	-	726,554	1,716,581
Other state sources	1,442,878	912,643	-	56,091	2,411,612
Other local sources	1,234,721	73,034	1,904,081	1,002,244	4,214,080
Total revenues	<u>14,566,611</u>	<u>7,073,149</u>	<u>1,904,081</u>	<u>1,784,889</u>	<u>25,328,730</u>
Expenditures:					
Current:					
Certificated salaries	5,734,949	2,666,380	-	-	8,401,329
Classified salaries	2,595,715	546,558	-	376,839	3,519,112
Employee benefits	2,765,787	1,062,148	-	113,713	3,941,648
Books and supplies	322,250	133,616	-	405,064	860,930
Contract services and operating expenditures	2,694,923	419,453	-	51,390	3,165,766
Other outgo	763,742	-	-	-	763,742
Capital outlay	107,413	14,343	-	41,870	163,626
Debt service:					
Principal retirement	-	-	-	195,000	195,000
Interest	-	-	1,253,000	17,533	1,270,533
Total expenditures	<u>14,984,779</u>	<u>4,842,498</u>	<u>1,253,000</u>	<u>1,201,409</u>	<u>22,281,686</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(418,168)</u>	<u>2,230,651</u>	<u>651,081</u>	<u>583,480</u>	<u>3,047,044</u>
Other financing sources (uses):					
Transfers in	1,543,959	-	570,000	70,117	2,184,076
Transfers out	<u>(195,117)</u>	<u>(1,497,957)</u>	<u>-</u>	<u>(491,002)</u>	<u>(2,184,076)</u>
Total other financing sources (uses)	<u>1,348,842</u>	<u>(1,497,957)</u>	<u>570,000</u>	<u>(420,885)</u>	<u>-</u>
Net change in fund balances	930,674	732,694	1,221,081	162,595	3,047,044
Fund balances, July 1, 2016	<u>3,102,890</u>	<u>1,284,999</u>	<u>30,841,787</u>	<u>848,525</u>	<u>36,078,201</u>
Fund balances, June 30, 2017	<u>\$ 4,033,564</u>	<u>\$ 2,017,693</u>	<u>\$ 32,062,868</u>	<u>\$ 1,011,120</u>	<u>\$ 39,125,245</u>

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

AUBURN UNION SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Net change in fund balances - Total Governmental Funds	\$ 3,047,044
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	155,244
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(1,020,014)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	195,000
In governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as an increase to capital assets at their fair value on the date of donation (Note 4).	165,000
Accreted interest is not recognized until due and, therefore, is not accrued as a payable in governmental funds (Note 5).	(117,580)
In governmental funds, gain/losses on refunding of debt are not recognized. In government-wide statements, gain/losses on refunding of debt are deferred and amortized over the life of the debt (Note 5).	(88,822)
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.	3,640
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 7 and 8):	(407,069)
In the statement of activities, expenses related to post-employment benefits and compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 5 and 8).	<u>(183,248)</u>
Change in net position of governmental activities	<u>\$ 1,749,195</u>

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

AUBURN UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	
Cash in County Treasury	\$ 799,736
Cash on hand and in banks	<u>76,160</u>
Total assets	<u><u>\$ 875,896</u></u>
LIABILITIES	
Due to student groups	\$ 76,160
Accounts payable	<u>799,736</u>
Total liabilities	<u><u>\$ 875,896</u></u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Auburn Union School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity: The Board of Trustees is the level of government which has governance responsibilities over all activities related to public elementary school education in the District. The District, Auburn Union School District Financing Corporation (the "Corporation") and Auburn/Foresthill Financing Authority (the "Authority") have a financial and operational relationship which meets the reporting entity definition criteria of Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the Corporation and the Authority as component units of the District. Accordingly, financial activities of the Corporation and the Authority have been included in the financial statements of the District as blended component units.

The following are those aspects of the relationship between the District, the Corporation and the Authority which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, as amended by criteria:

A - Manifestations of Oversight

1. The Corporation's and the Authority's Boards of Directors were appointed by the District's Board of Trustees.
2. The Corporation and the Authority have no employees. The District's Superintendent and Chief Business Officer function as agents of the Corporation and the Authority. Neither individual received additional compensation for work performed in this capacity.
3. The District exercises significant influence over operations of the Corporation and the Authority as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation and the Authority.

B - Accounting for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the Corporation and the Authority must have the consent of the District.
2. Any deficits incurred by the Corporation and the Authority will be reflected in the lease payments of the District. Any surpluses of the Corporation and the Authority revert to the District at the end of the lease period.
3. It is anticipated that the District's lease payments will be the sole revenue source of the Corporation and the Authority.
4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation and the Authority.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Scope of Public Service and Financial Presentation

1. The Corporation and the Authority were created for the sole purpose of financially assisting the District.
2. The Corporation and the Authority are nonprofit, public benefit corporations incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation and the Authority were formed to provide financing assistance to the District for construction and acquisition of major capital facilities. When the Corporation's and the Authority's Certificates of Participation (COPs) have been paid with state reimbursements and the District's developer fees, title to all of the Corporation's and the Authority's property will pass to the District for no additional consideration.
3. The Corporation's and the Authority's financial activity is presented in the financial statements as the Special Reserve 56 Fund. COPs issued by the Corporation and the Authority are included in the District's long-term liabilities.

The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Charter Schools Fund:

The Charter Schools Fund is a special revenue fund used to account for the proceeds of specific revenue sources that are restricted to expenditures for Charter Schools purposes.

Special Reserve 56 Fund:

The Special Reserve 56 Fund is a debt service fund used to account for the accumulation and expenditure of resources used for the acquisition of capital facilities by the District.

B - Other Funds

The Cafeteria Fund is a special revenue fund used to account for the proceeds of specific revenue sources that are restricted to expenditures for food service operations.

The Capital Projects Funds are used to account for the accumulation and expenditure of resources used for the acquisition of capital facilities by the District. This classification includes the Building, Capital Facilities, Special Reserve for Capital Outlay, County School Facilities and Mello-Roos Capital Project Funds.

The Mello Roos Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest and related costs.

Agency Funds are used to account for assets of others for which the District acts as an agent. All cash activity and assets of the various student bodies of the District are accounted for in the Student Body Account. For Student Body Accounts, individual totals by school and club, are maintained within the District's accounting system. The Warrant Pass Through Account represents all payroll clearing account activity.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees complied with these requirements.

Receivables: Receivables consist principally of amounts due from the State of California and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2017.

Stores Inventory: Stores inventory is recorded using the consumption method, in that inventory acquisitions are initially recorded in the inventory asset account, and then charged to expenditure when used. Inventory reserves are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net position.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position 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(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported, which is in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Amortization for the year ended June 30, 2017 totaled \$88,822. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the Statement of Net Position.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the Statement of Net Position reports 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(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

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 State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in the aggregate:

	<u>STRP</u>	<u>PERS B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 2,076,461</u>	<u>\$ 1,499,437</u>	<u>\$ 3,575,898</u>
Deferred inflows of resources	<u>\$ 1,067,000</u>	<u>\$ 242,000</u>	<u>\$ 1,309,000</u>
Net pension liability	<u>\$ 13,298,000</u>	<u>\$ 5,257,000</u>	<u>\$ 18,555,000</u>
Pension expense	<u>\$ 1,806,422</u>	<u>\$ 599,323</u>	<u>\$ 2,405,745</u>

Compensated Absences: Compensated absences in the amount of \$129,432 is recorded as a liability of the District. The liability is for earned but unused benefits.

Accumulated Sick Leave: Sick leave benefits are not recorded as liabilities on the books of the District. The District's policy is to record amounts as operating expenditures in the period sick leave is taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for all CalSTRS and CalPERS employees, when the employee retires.

Net Position: Net position is displayed in three components:

1. Net investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. It is the District's policy to use restricted net position when allowable expenditures are incurred.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

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. These are the same restrictions used to determine restricted net position as reported in the government-wide statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. 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. Formal action by the Board of Trustees is required to remove any commitment from any fund balance. At June 30, 2017, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances, however, as of June 30, 2017, no such designation has occurred.

E - Unassigned Fund Balance:

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.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. 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.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2017, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Placer bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2017 consisted of the following:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Pooled Funds:		
Cash in County Treasury	\$ 7,446,056	\$ 799,736
Cash awaiting deposit	14,076	-
Deposits:		
Cash on hand and in banks	18,541	76,160
Cash in revolving fund	5,000	-
Cash with Fiscal Agent	32,038,405	-
Total	\$ 39,522,078	\$ 875,896

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Placer County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's prorata 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.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2017, the carrying amount of the District's accounts was \$99,701 and the bank balances were \$98,000, all of which was covered by FDIC insurance.

Cash with Fiscal Agent: Cash with Fiscal Agent represent amounts held by a third party custodian in the District's name for future capital projects.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2017, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2017, the District had no concentration of credit risk.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District for goods and services are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and from other funds.

Interfund Receivables/Payables: Interfund receivable and payable balances at June 30, 2017 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 1,954,559	\$ 3,896,188
Charter School	3,825,815	1,908,557
Non-Major Funds:		
Cafeteria	18	46,002
Mello-Roos Debt Service	<u>70,355</u>	<u>-</u>
Totals	<u><u>\$ 5,850,747</u></u>	<u><u>\$ 5,850,747</u></u>

Transfers: Transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended.

Transfers for the 2016-2017 fiscal year were as follows:

Transfer from the General Fund to Special Reserve 56 Fund for COP payments.	\$ 125,000
Transfer from the General Fund to Mello-Roos Debt Service Fund for COP payments.	70,117
Transfer from the Charter Schools Fund to the General Fund for special education and other support costs.	1,129,674
Transfer from the Charter Schools Fund to the General Fund for indirect costs.	368,283
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	46,002
Transfer from the Capital Facilities Fund to the Special Reserve 56 Fund for COP Debt service payments.	250,000
Transfer from the Mello-Roos Debt Service Fund to the Special Reserve 56 Fund for COP Debt service payments.	<u>195,000</u>
	<u><u>\$ 2,184,076</u></u>

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital asset for the year ended June 30, 2017, is shown below:

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2017</u>
Non-depreciable:				
Land	\$ 2,029,376	\$ 175,431	\$ -	\$ 2,204,807
Depreciable:				
Improvement of sites	556,796	-	-	556,796
Buildings	25,502,759	98,025	-	25,600,784
Equipment	<u>1,444,649</u>	<u>46,788</u>	<u>-</u>	<u>1,491,437</u>
Totals, at cost	<u>29,533,580</u>	<u>320,244</u>	<u>-</u>	<u>29,853,824</u>
Less accumulated depreciation:				
Improvement of sites	(483,965)	(10,256)	-	(494,221)
Buildings	(16,670,509)	(956,470)	-	(17,626,979)
Equipment	<u>(1,132,766)</u>	<u>(53,288)</u>	<u>-</u>	<u>(1,186,054)</u>
Total accumulated depreciation	<u>(18,287,240)</u>	<u>(1,020,014)</u>	<u>-</u>	<u>(19,307,254)</u>
Capital assets, net	<u>\$ 11,246,340</u>	<u>\$ (699,770)</u>	<u>\$ -</u>	<u>\$ 10,546,570</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 426,139
Instructional library, media and technology	26,716
Food services	19,359
Data processing	797
All other pupil services	27,890
All other general administration	14,347
Plant services	<u>504,766</u>
Total depreciation expense	<u>\$ 1,020,014</u>

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES

Certificates of Participation (COPs)

A - December 1999 Issuance

In December 1999, the District issued \$2,993,580 in Certificates of Participation with semi-annual payments through March 2030, at interest rates ranging between 4.50% and 6.36%. The COPs were issued to advance refund a portion of the 1994 Certificates of Participation and for the E.V. Cain improvement project. The Certificates are to be repaid from and are secured by annual base rental payments to be made by the District for lease of the facility constructed.

The following is a schedule of future payments of the 1999 Certificates of Participation:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 210,000	\$ 82,271	\$ 292,271
2019	72,533	156,671	229,204
2020	69,124	163,247	232,371
2021	64,379	169,384	233,763
2022	61,852	177,199	239,051
2023-2027	266,209	983,144	1,249,353
2028-2031	<u>129,483</u>	<u>545,541</u>	<u>675,024</u>
Total	<u>\$ 873,580</u>	<u>\$ 2,277,457</u>	<u>\$ 3,151,037</u>

B - January 2015 Refinancing Issuance

In January 2015, the District issued \$32,497,308 of Variable Rate Demand Certificates of Participation. The January 2015 COP was issued to partially refund the May 2008 COP (original principal amount of \$36,010,000) and to finance the acquisition, construction, installation, modernization, and equipping of improvements to various District facilities. Semi-annual payments on the January 2015 COPs are interest only through December 2021, with the first scheduled principal payment in June 2022 through June 2038.

The following is a schedule of future payments of the January 2015 Certificates of Participation:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 1,104,908	\$ 1,104,908
2019	-	1,104,908	1,104,908
2020	-	1,104,908	1,104,908
2021	-	1,104,908	1,104,908
2022	1,328,387	1,202,400	2,530,787
2023-2027	6,937,009	5,700,625	12,637,634
2028-2032	8,670,422	4,194,848	12,865,270
2033-2037	12,482,503	2,187,230	14,669,733
2038	<u>3,078,987</u>	<u>123,159</u>	<u>3,202,146</u>
Total	<u>\$ 32,497,308</u>	<u>\$ 17,827,894</u>	<u>\$ 50,325,202</u>

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES (Continued)

C - June 2016 Refinancing Issuance

In June 2016, the District issued \$6,106,229 of Refunding Lease Financing. The June 2016 Refunding Lease Financing were issued to refund the remaining May 2008 COP (principal amount of \$5,815,000) and to finance the acquisition, construction, installation, modernization, and equipping of improvements to various District facilities. Annual payments on the June 2016 Refunding Lease Financing are interest only through June 2021, with the first scheduled principal payment in June 2022 through June 2038.

The following is a schedule of future payments of the 2016 June Refunding Lease Financing.

Year Ending June 30.	Principal	Interest	Total
2018	\$ -	\$ 147,771	\$ 147,771
2019	-	147,771	147,771
2020	-	147,771	147,771
2021	-	147,771	147,771
2022	274,515	196,010	470,525
2023-2027	1,292,358	1,066,896	2,359,254
2028-2032	1,620,241	786,090	2,406,331
2033-2037	2,339,722	410,371	2,750,093
2038	<u>579,393</u>	<u>23,176</u>	<u>602,569</u>
Total	<u>\$ 6,106,229</u>	<u>\$ 3,073,627</u>	<u>\$ 9,179,856</u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2017, is shown below:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Amounts Due Within One Year
Certificates of Participation:					
December 1999	\$ 1,068,580	\$ -	\$ 195,000	\$ 873,580	\$ 210,000
January 2015	32,497,308	-	-	32,497,308	-
June 2016	6,106,229	-	-	6,106,229	-
Accreted interest	1,178,392	117,580	-	1,295,972	127,649
Other postemployment benefits (Note 9)	965,848	283,769	100,200	1,149,417	-
Net pension liability (Notes 7 and 8)	15,766,000	2,789,000	-	18,555,000	-
Compensated absences	<u>129,753</u>	<u>-</u>	<u>321</u>	<u>129,432</u>	<u>-</u>
	<u>\$ 57,712,110</u>	<u>\$ 3,190,349</u>	<u>\$ 295,521</u>	<u>\$ 60,606,938</u>	<u>\$ 337,649</u>

Payments on the Certificates of Participation are made from the Mello-Roos Debt Service Fund. Payments on the other postemployment benefits and compensated absences are made from the fund for which the related employee worked.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2017 consisted of the following:

	Charter General <u>Fund</u>	Charter School <u>Fund</u>	Special Reserve 56 <u>Fund</u>	All Non-Major <u>Funds</u>	<u>Total</u>
Nonspendable:					
Revolving cash fund	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Prepaid expenditures	37,031	17,835	-	800	55,666
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,868</u>	<u>63,868</u>
Subtotal nonspendable	<u>42,031</u>	<u>17,835</u>	<u>-</u>	<u>64,668</u>	<u>124,534</u>
Restricted:					
Legally restricted programs	1,211,194	1,999,858	-	607,267	3,818,319
Capital projects	-	-	-	255,540	255,540
Debt service	<u>-</u>	<u>-</u>	<u>32,062,868</u>	<u>83,645</u>	<u>32,146,513</u>
Subtotal restricted	<u>1,211,194</u>	<u>1,999,858</u>	<u>32,062,868</u>	<u>946,452</u>	<u>36,220,372</u>
Assigned:					
Mandate claims reimbursement	876,248	-	-	-	876,248
Facilities	609,267	-	-	-	609,267
Instructional materials	342,363	-	-	-	342,363
Technology	253,526	-	-	-	253,526
Special education	150,000	-	-	-	150,000
Medical administrative activities	<u>83,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,899</u>
Subtotal assigned	<u>2,315,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,315,303</u>
Unassigned:					
Designed for economic uncertainty	<u>465,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>465,036</u>
Total fund balances	<u>\$ 4,033,564</u>	<u>\$ 2,019,709</u>	<u>\$ 32,062,868</u>	<u>\$ 1,011,120</u>	<u>\$ 39,125,245</u>

(Continued)

NOTE 7 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

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

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

CalSTRS 2% at 62

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

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2016-2017. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2016-2017.

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 12.58 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rate increases effective for fiscal year 2016-2017 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

The District contributed \$1,019,461 to the plan for the fiscal year ended June 30, 2017.

State - 8.828 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047. The CalSTRS state contribution rates effective for fiscal year 2016-17 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 4.811 percent on July 1, 2017, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding(1)</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017	2.017%	4.811%(2)	2.50%	9.328%
July 01, 2018 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 1, 2046 and thereafter	2.017%	(3)	2.50%	4.517%(3)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) During its April 2017 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2017.

(3) The CalSTRS board has limited authority to adjust state contribution rates from July 1, 2017, through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

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

District's proportionate share of the net pension liability	\$ 13,298,000
State's proportionate share of the net pension liability associated with the District	<u>7,571,000</u>
Total	<u><u>\$ 20,869,000</u></u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2016, the District's proportion was 0.016 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,806,422 and revenue of \$642,197 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 324,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	1,057,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	743,000
Contributions made subsequent to measurement date	<u>1,019,461</u>	<u>-</u>
Total	<u><u>\$ 2,076,461</u></u>	<u><u>\$ 1,067,000</u></u>

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

\$1,019,461 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>			
2018			\$ (175,041)
2019			\$ (175,041)
2020			\$ 461,784
2021			\$ 213,566
2022			\$ (182,933)
2023			\$ (152,335)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2016 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

Valuation Date	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis and June 30, 2015 Actuarial Program Valuations for more information.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

* 20-year geometric average

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	<u>\$ 19,139,000</u>	<u>\$ 13,298,000</u>	<u>\$ 8,447,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

(Continued)

NOTE 8 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B

General Information about the Public Employer’s Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer’s Retirement Fund B (PERF B) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2016.pdf>.

Benefits Provided: The benefits for the defined benefit plans 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 (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2017 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2016-17.

Employers - The employer contribution rate was 13.888 percent of applicable member earnings.

The District contributed \$448,437 to the plan for the fiscal year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$5,257,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2016, the District’s proportion was 0.027 percent, which was unchanged from its proportion measured as of June 30, 2015.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$599,323. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 226,000	\$ -
Changes of assumptions	-	158,000
Net differences between projected and actual earnings on investments	816,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	9,000	84,000
Contributions made subsequent to measurement date	<u>448,437</u>	<u>-</u>
Total	<u>\$ 1,499,437</u>	<u>\$ 242,000</u>

\$448,437 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2018	\$ 53,317
2019	\$ 137,317
2020	\$ 405,366
2021	\$ 213,000

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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.

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	51%	5.25%
Global Debt Securities	20	0.99
Inflation Assets	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	1	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. 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 Plan’s 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. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

	1% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
District’s proportionate share of the net pension liability	<u>\$ 7,844,000</u>	<u>\$ 5,257,000</u>	<u>\$ 3,103,000</u>

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 9 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 7 and 8, the District provides post-employment benefits (OPEB) to eligible certificated and classified employees who retire from the District under a single employer defined benefit OPEB plan. The plan does not issue separate financial statements. The plan provides medical, dental and vision health care benefits after reaching the age of 55, for Certificated employees with 15 years of service and Classified employees with 10 years of service, and for their dependents, for five years or the age of 65, whichever occurs first. The District cap on benefits is currently \$7,764 per year for Certificated retirees and \$7,540 for Classified retirees.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 240,620
Interest on net OPEB obligation	43,463
Adjustment to annual required contribution	<u>(314)</u>
Annual OPEB cost (expense)	283,769
Contributions made	<u>(100,200)</u>
Increase in net OPEB obligation	183,569
Net OPEB obligation - beginning of year	<u>965,848</u>
Net OPEB obligation - end of year	<u><u>\$ 1,149,417</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 349,055	56.8%	\$ 681,862
June 30, 2016	\$ 356,594	20.4%	\$ 965,848
June 30, 2017	\$ 283,769	35.3%	\$ 1,149,417

As of December 1, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$2,031,209, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,031,209. The covered payroll (annual payroll of active employees covered by the Plan) was \$8,836,334, and the ratio of the UAAL to the covered payroll was 23 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

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

The schedule of funding progress, shown as Required Supplementary Information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

In the December 1, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate (net of administrative expenses), which is based on assumed long-term investment returns on plan assets and/ or the employer's assets, and an annual healthcare cost trend rate of 4 percent initially. Both rates included a 2.75 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2017, was 30 years.

NOTE 10 - JOINT POWERS AGREEMENT

The District is a member of a Joint Powers Authority, Schools Insurance Group (SIG), for the operation of a common risk management and insurance program. The program covers workers' compensation, property/liability, and health and welfare insurance. SIG is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls the operations of SIG, including selections of management and approval of operating budgets.

The JPA agreement for SIG provides that the SIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000, \$100,000 and \$500,000 for each insured event for workers' compensation, property and liability, respectively. The District continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

The following is a summary of financial information for SIG at June 30, 2017:

Total assets	\$ 96,388,316
Total deferred outflows of resources - pensions	\$ 265,300
Total liabilities	\$ 33,613,907
Total deferred inflows of resources - pensions	\$ 41,239
Net position	\$ 62,998,470
Total revenue	\$ 91,193,928
Total expenses	\$ 85,707,759
Change in net position	\$ 5,486,169

NOTE 11 - CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

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

REQUIRED SUPPLEMENTARY INFORMATION

AUBURN UNION SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
LCFF:				
State apportionment	\$ 4,744,154	\$ 4,574,631	\$ 4,484,752	\$ (89,879)
Local sources	<u>6,156,282</u>	<u>6,322,615</u>	<u>6,414,233</u>	<u>91,618</u>
Total LCFF	<u>10,900,436</u>	<u>10,897,246</u>	<u>10,898,985</u>	<u>1,739</u>
Federal sources	890,291	912,652	990,027	77,375
Other state sources	1,119,302	1,460,616	1,442,878	(17,738)
Other local sources	<u>1,076,681</u>	<u>1,086,494</u>	<u>1,234,721</u>	<u>148,227</u>
Total revenues	<u>13,986,710</u>	<u>14,357,008</u>	<u>14,566,611</u>	<u>209,603</u>
Expenditures:				
Current:				
Certificated salaries	5,626,982	5,587,518	5,734,949	(147,431)
Classified salaries	2,496,217	2,592,044	2,595,715	(3,671)
Employee benefits	2,794,930	2,800,823	2,765,787	35,036
Books and supplies	526,240	455,985	322,250	133,735
Contract services and operating expenditures	2,527,427	2,954,446	2,694,923	259,523
Other outgo	862,942	841,773	763,742	78,031
Capital outlay	<u>260,000</u>	<u>104,498</u>	<u>107,413</u>	<u>(2,915)</u>
Total expenditures	<u>15,094,738</u>	<u>15,337,087</u>	<u>14,984,779</u>	<u>352,308</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,108,028)</u>	<u>(980,079)</u>	<u>(418,168)</u>	<u>561,911</u>
Other financing sources (uses):				
Transfers in	1,523,701	1,619,472	1,543,959	(75,513)
Transfers out	<u>(225,000)</u>	<u>(125,000)</u>	<u>(195,117)</u>	<u>(70,117)</u>
Total other financing sources (uses)	<u>1,298,701</u>	<u>1,494,472</u>	<u>1,348,842</u>	<u>(145,630)</u>
Net change in fund balance	190,673	514,393	930,674	416,281
Fund balance, July 1, 2016	<u>3,102,890</u>	<u>3,102,890</u>	<u>3,102,890</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 3,293,563</u>	<u>\$ 3,617,283</u>	<u>\$ 4,033,564</u>	<u>\$ 416,281</u>

See accompanying notes to required supplementary information

AUBURN UNION SCHOOL DISTRICT
 CHARTER SCHOOLS FUND
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended June 30, 2017

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
LCFF:				
State apportionment	\$ 2,366,746	\$ 2,273,795	\$ 2,276,489	\$ 2,694
Local sources	<u>3,587,795</u>	<u>3,762,032</u>	<u>3,810,983</u>	<u>48,951</u>
Total LCFF	<u>5,954,541</u>	<u>6,035,827</u>	<u>6,087,472</u>	<u>51,645</u>
Other state sources	483,774	898,127	912,643	14,516
Other local sources	<u>45,599</u>	<u>82,239</u>	<u>73,034</u>	<u>(9,205)</u>
Total revenues	<u>6,483,914</u>	<u>7,016,193</u>	<u>7,073,149</u>	<u>56,956</u>
Expenditures:				
Current:				
Certificated salaries	2,586,652	2,585,002	2,666,380	(81,378)
Classified salaries	482,970	531,159	546,558	(15,399)
Employee benefits	1,028,675	1,064,091	1,062,148	1,943
Books and supplies	216,903	202,491	133,616	68,875
Services and other operating expenditures	450,854	493,683	419,453	74,230
Capital outlay	<u>75,000</u>	<u>80,600</u>	<u>14,343</u>	<u>66,257</u>
Total expenditures	<u>4,841,054</u>	<u>4,957,026</u>	<u>4,842,498</u>	<u>114,528</u>
Excess of revenues over expenditures	1,642,860	2,059,167	2,230,651	171,484
Other financing uses:				
Transfers out	<u>(1,549,130)</u>	<u>(1,569,550)</u>	<u>(1,497,957)</u>	<u>71,593</u>
Net change in fund balance	93,730	489,617	732,694	243,077
Fund balance, July 1, 2016	<u>1,284,999</u>	<u>1,284,999</u>	<u>1,284,999</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 1,378,729</u>	<u>\$ 1,774,616</u>	<u>\$ 2,017,693</u>	<u>\$ 243,077</u>

See accompanying notes to required supplementary information

AUBURN UNION SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 For the Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Schedule of Funding Progress			Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)				
September 1, 2009	\$ -	\$ 1,967,669	\$ 1,967,669	0%	\$ 10,170,790	19.4%	
December 1, 2011	\$ -	\$ 1,990,687	\$ 1,990,687	0%	\$ 10,461,692	19.0%	
December 1, 2014	\$ -	\$ 2,051,799	\$ 2,051,799	0%	\$ 11,180,539	18.4%	
December 1, 2016	\$ -	\$ 2,031,209	\$ 2,031,209	0%	\$ 8,836,334	23.0%	

See accompanying notes to required supplementary information.

AUBURN UNION SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2017

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.017%	0.018%	0.016%
District's proportionate share of the net pension liability	\$ 10,197,000	\$ 11,858,000	\$ 13,298,000
State's proportionate share of the net pension liability associated with the District	<u>6,157,000</u>	<u>6,272,000</u>	<u>7,571,000</u>
Total net pension liability	<u>\$ 16,354,000</u>	<u>\$ 18,130,000</u>	<u>\$ 20,869,000</u>
District's covered payroll	\$ 7,772,000	\$ 8,175,000	\$ 8,194,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131%	145%	162%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%

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

All years prior to 2015 are not available.

(Continued)

AUBURN UNION SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2017

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.026%	0.027%	0.027%
District's proportionate share of the net pension liability	\$ 2,929,000	\$ 3,908,000	\$ 5,257,000
District's covered payroll	\$ 2,708,000	\$ 2,938,000	\$ 3,193,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.16%	133.02%	164.64%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	74.02%	73.89%

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

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2017

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 725,959	\$ 879,224	\$ 1,019,461
Contributions in relation to the contractually required contribution	<u>(725,959)</u>	<u>(879,224)</u>	<u>(1,019,461)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,175,000	\$ 8,194,000	\$ 8,104,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%

All years prior to 2015 are not available.

(Continued)

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2017

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 345,845	\$ 378,323	\$ 448,437
Contributions in relation to the contractually required contribution	<u>(345,845)</u>	<u>(378,323)</u>	<u>(448,437)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,935,000	\$ 3,193,000	\$ 3,229,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

AUBURN UNION SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund and Charter Schools Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

Excess of expenditures over appropriations for the year ended June 30, 2017 were as follows:

	<u>Excess Expenditures</u>
General Fund:	
Certificated salaries	\$ 147,431
Classified salaries	\$ 3,671
Charter Schools Fund:	
Certificated salaries	\$ 81,378
Classified salaries	\$ 15,399

These excesses are not in accordance with Education Code 42600.

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Other Postemployment Benefits Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

C - Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65 and 7.65 percent in June 30, 2013, 2014 and 2015 actuarial reports, respectively. There are no changes in assumptions reported for the State Teachers' Retirement Plan.

SUPPLEMENTARY INFORMATION

AUBURN UNION SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2017

	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	County School Facilities Fund	Mello-Roos Capital Project Fund	Mello-Roos Debt Service Fund	Total
ASSETS								
Cash and investments:								
Cash in County Treasury	\$ 603,806	\$ 1,600	\$ 232,137	\$ 34	\$ 48	\$ 369	\$ 13,277	\$ 851,271
Cash awaiting deposit	-	-	5,058	-	-	-	-	5,058
Cash on hand and in banks	2,500	16,041	-	-	-	-	-	18,541
Receivables	102,987	2	251	-	-	-	13	103,253
Due from other funds	18	-	-	-	-	-	70,355	70,373
Prepaid expenditures	-	-	800	-	-	-	-	800
Stores inventory	63,868	-	-	-	-	-	-	63,868
Total assets	<u>\$ 773,179</u>	<u>\$ 17,643</u>	<u>\$ 238,246</u>	<u>\$ 34</u>	<u>\$ 48</u>	<u>\$ 369</u>	<u>\$ 83,645</u>	<u>\$ 1,113,164</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 56,042	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,042
Due to other funds	46,002	-	-	-	-	-	-	46,002
Total liabilities	<u>102,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,044</u>
Fund balances:								
Nonspendable	63,868	-	800	-	-	-	-	64,668
Restricted	607,267	17,643	237,446	34	48	369	83,645	946,452
Total fund balances	<u>671,135</u>	<u>17,643</u>	<u>238,246</u>	<u>34</u>	<u>48</u>	<u>369</u>	<u>83,645</u>	<u>1,011,120</u>
Total liabilities and fund balances	<u>\$ 773,179</u>	<u>\$ 17,643</u>	<u>\$ 238,246</u>	<u>\$ 34</u>	<u>\$ 48</u>	<u>\$ 369</u>	<u>\$ 83,645</u>	<u>\$ 1,113,164</u>

AUBURN UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2017

	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	County School Facilities Fund	Mello-Roos Capital Project Fund	Mello-Roos Debt Service Fund	Total
Revenues:								
Federal sources	\$ 726,554	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ 726,554
Other state sources	56,091	-	-	-	-	-	-	56,091
Other local sources	<u>200,948</u>	<u>21</u>	<u>428,990</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>372,281</u>	<u>1,002,244</u>
Total revenues	<u>983,593</u>	<u>21</u>	<u>428,990</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>372,281</u>	<u>1,784,889</u>
Expenditures:								
Current:								
Classified salaries	376,839	-	-	-	-	-	-	376,839
Employee benefits	113,713	-	-	-	-	-	-	113,713
Books and supplies	405,064	-	-	-	-	-	-	405,064
Contract services and operating expenditures	39,533	-	11,857	-	-	-	-	51,390
Capital outlay	41,870	-	-	-	-	-	-	41,870
Debt service:								
Principal	-	-	-	-	-	-	195,000	195,000
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,533</u>	<u>17,533</u>
Total expenditures	<u>977,019</u>	<u>-</u>	<u>11,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,533</u>	<u>1,201,409</u>
Excess of revenues over expenditures	<u>6,574</u>	<u>21</u>	<u>417,133</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>159,748</u>	<u>583,480</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	70,117	70,117
Transfers out	<u>(46,002)</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(195,000)</u>	<u>(491,002)</u>
Total other financing sources (uses)	<u>(46,002)</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(124,883)</u>	<u>(420,885)</u>
Net change in fund balances	(39,428)	21	167,133	-	-	4	34,865	162,595
Fund balances, July 1, 2016	<u>710,563</u>	<u>17,622</u>	<u>71,113</u>	<u>34</u>	<u>48</u>	<u>365</u>	<u>48,780</u>	<u>848,525</u>
Fund balances, June 30, 2017	<u>\$ 671,135</u>	<u>\$ 17,643</u>	<u>\$ 238,246</u>	<u>\$ 34</u>	<u>\$ 48</u>	<u>\$ 369</u>	<u>\$ 83,645</u>	<u>\$ 1,011,120</u>

AUBURN UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>E.V. Cain School</u>				
Assets:				
Cash on hand and in banks	\$ 28,106	\$ 103,594	\$ 94,420	\$ 37,280
Liabilities:				
Due to student groups	\$ 28,106	\$ 103,594	\$ 94,420	\$ 37,280
<u>Rock Creek School</u>				
Assets:				
Cash on hand and in banks	\$ 12,447	\$ 16,179	\$ 8,002	\$ 20,624
Liabilities:				
Due to student groups	\$ 12,447	\$ 16,179	\$ 8,002	\$ 20,624
<u>Sky Ridge School</u>				
Assets:				
Cash on hand and in banks	\$ 15,222	\$ 51,885	\$ 56,248	\$ 10,859
Liabilities:				
Due to student groups	\$ 15,222	\$ 51,885	\$ 56,248	\$ 10,859
<u>Auburn Elementary School</u>				
Assets:				
Cash on hand and in banks	\$ 10,656	\$ 14,023	\$ 17,282	\$ 7,397
Liabilities:				
Due to student groups	\$ 10,656	\$ 14,023	\$ 17,282	\$ 7,397
<u>Warrant Pass-Through Fund</u>				
Assets:				
Cash in County Treasury	\$ 345,182	\$ 9,166,069	\$ 8,711,515	\$ 799,736
Liabilities:				
Accounts payable	\$ 345,182	\$ 9,166,069	\$ 8,711,515	\$ 799,736
<u>Total - All Agency Funds</u>				
Assets:				
Cash in County Treasury	\$ 345,182	\$ 9,166,069	\$ 8,711,515	\$ 799,736
Cash on hand and in banks	66,431	185,681	175,952	76,160
Total	\$ 411,613	\$ 9,351,750	\$ 8,887,467	\$ 875,896
Liabilities:				
Due to student groups	\$ 345,182	\$ 9,166,069	\$ 8,711,515	\$ 799,736
Accounts payable	66,431	185,681	175,952	76,160
Total	\$ 411,613	\$ 9,351,750	\$ 8,887,467	\$ 875,896

AUBURN UNION SCHOOL DISTRICT
ORGANIZATION
June 30, 2017

Auburn Union School District was established in 1852 and is comprised of an area of approximately 64 square miles located in Placer County. There were no changes in the District's boundaries in the current year. The District is currently operating three elementary schools, one elementary charter school and one intermediate charter school.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Julann Brown	President	2018
Woody Hoffmann	Clerk	2020
Debbie Goodrich	Member	2018
Lashaun Byer	Member	2020
Michelle Sierra-Sammons	Member	2018

ADMINISTRATION

Wendy Frederickson
Superintendent

Scott Bentley
Chief Business Official

AUBURN UNION SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2017

	<u>Second Period Report</u>	<u>Annual Report</u>
<u>Elementary</u>		
Certificate Number:	FCE171FE	6646A648
Transitional Kindergarten through Third	739	739
Fourth through Sixth	408	409
Special Education	4	6
Subtotal Elementary	1,151	1,154
<u>E. V. Cain Charter School</u>		
Certificate Number:	8C9B5EC2	48F9B9EF
Classroom-Based:		
Sixth	206	209
Seventh and Eighth	444	452
Subtotal Classroom-Based	650	661
Nonclassroom-Based:		
Sixth	-	1
Seventh and Eighth	3	1
Subtotal Nonclassroom-Based	3	2
Subtotal E. V. Cain Charter	653	663
<u>Alta Vista Community Charter</u>		
Certificate Number:	92B75D2A	CBB634B9
Classroom-Based:		
Transitional Kindergarten through Third	94	92
Fourth through Sixth	39	40
Subtotal Alta Vista Community Charter	133	132
District Totals	1,937	1,949

See accompanying notes to supplementary information.

AUBURN UNION SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2017

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
District:				
Kindergarten	36,000	43,310	180	In Compliance
Grade 1	50,400	52,015	180	In Compliance
Grade 2	50,400	52,015	180	In Compliance
Grade 3	50,400	53,220	180	In Compliance
Grade 4	54,000	54,115	180	In Compliance
Grade 5	54,000	54,115	180	In Compliance
E.V. Cain Charter School:				
Grade 6	54,000	56,986	180	In Compliance
Grade 7	54,000	56,986	180	In Compliance
Grade 8	54,000	56,986	180	In Compliance
Alta Vista Community Charter:				
Kindergarten	36,000	45,900	180	In Compliance
Grade 1	50,400	52,015	180	In Compliance
Grade 2	50,400	52,015	180	In Compliance
Grade 3	50,400	54,115	180	In Compliance
Grade 4	54,000	54,115	180	In Compliance
Grade 5	54,000	54,115	180	In Compliance

See accompanying notes to supplementary information.

AUBURN UNION SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2017

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	IDEA: Basic Local Assistance Entitlement, Part B, Section 611 (Formerly PL 94-142)	13379	\$ 294,418
84.173	IDEA: Preschool Grants, Part B, Section 619 (Age 3-4-5)	13430	11,994
84.027	IDEA: Special Ed Local Assistance, Part B, Sec 611, Private School ISPs	10115	18,058
84.027A	IDEA: Special Education Preschool Local Entitlement, Part B, Section 611	10019	57,760
84.027A	IDEA: Special Education Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	13682	<u>39,040</u>
	Subtotal Special Education Cluster		421,270
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	370,505
84.365	ESEA: Title III, Limited English Proficient (LEP) Student Program	14346	30,490
84.367	ESEA: Title II, Part A, Improving Teacher Quality	14341	<u>94,619</u>
	Total U.S. Department of Education		<u>916,884</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Health Care Services</u>			
	Medicaid Cluster:		
93.778	Medi-Cal Collaborative	10013	<u>42,469</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
	Child Nutrition Cluster:		
10.555	National School Lunch Program	13391	<u>726,554</u>
	Total Federal Expenditures		<u>\$ 1,685,907</u>

See accompanying notes to supplementary information.

AUBURN UNION SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

There were no audit adjustments proposed to any funds of the District.

See accompanying notes to supplementary information.

AUBURN UNION SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 For the Year Ended June 30, 2017
 (UNAUDITED)

	(Budget) 2018	2017	2016	2015
<u>General Fund</u>				
Revenues and other financing sources	\$ 15,616,997	\$ 16,110,570	\$ 15,988,944	\$ 14,150,242
Expenditures	15,831,435	14,984,779	15,160,364	14,334,449
Other uses and transfers out	<u>200,000</u>	<u>195,117</u>	<u>75,314</u>	<u>175,973</u>
Total outgo	<u>16,031,435</u>	<u>15,179,896</u>	<u>15,235,678</u>	<u>14,510,422</u>
Change in fund balance	<u>\$ (414,438)</u>	<u>\$ 930,674</u>	<u>\$ 753,266</u>	<u>\$ (360,180)</u>
Ending fund balance	<u>\$ 3,619,126</u>	<u>\$ 4,033,564</u>	<u>\$ 3,102,890</u>	<u>\$ 2,349,624</u>
Available reserves	<u>\$ 466,944</u>	<u>\$ 465,036</u>	<u>\$ 446,320</u>	<u>\$ 1,123,350</u>
Designated for economic uncertainties	<u>\$ 466,944</u>	<u>\$ 465,036</u>	<u>\$ 446,320</u>	<u>\$ 431,349</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 692,001</u>
Available reserves as a percentage of total outgo	<u>3.0%</u>	<u>3.1%</u>	<u>3.0%</u>	<u>7.7%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 60,269,289</u>	<u>\$ 60,606,938</u>	<u>\$ 57,712,110</u>	<u>\$ 54,547,821</u>
Average daily attendance (excluding Charters) at P-2	<u>1,124</u>	<u>1,151</u>	<u>1,199</u>	<u>1,211</u>

The General Fund fund balance has increased by \$1,323,760 over the past three fiscal years. The District projects a decrease of \$414,438 for the year ending June 30, 2018. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2017, the District has met this requirement.

The District has incurred operating deficits in one of the past three years, and anticipates incurring an operating deficit during the 2017-2018 fiscal year.

Total long-term liabilities have increased by \$6,059,117 over the past two years.

Average daily attendance has decreased by 60 over the past two years. The District anticipates a decrease of 27 in ADA during the fiscal year ending June 30, 2018.

See accompanying notes to supplementary information.

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2017

Charter Schools Chartered by District

1226 - E.V. Cain 21st Century S.T.E.M. Charter School
1429 - Alta Vista Community Charter School

Included in District
Financial Statements, or
Separate Report

Included in the Charter Schools Fund
Included in the Charter Schools Fund

See accompanying notes to supplementary information.

AUBURN UNION SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 June 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Auburn Union School District, and is presented on the 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)*. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2017.

<u>CFDA Description</u>	<u>Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 1,716,581
Less: Medi-Cal Collaborative unspent funds	93.778	<u>(30,674)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 1,685,907</u>

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actual Financial Report to the audited financial statements.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2017-2018 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2017, the District did not adopt such a program.

INDEPENDENT AUDITOR'S REPORT
 ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
 Auburn Union School District
 Auburn, California

Report on Compliance with State Laws and Regulations

We have audited Auburn Union School District's compliance with the types of compliance requirements described in the State of California's *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2017.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General requirements	No, see below
After school	No, see below
Before school	No, see below
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	No, see below
Immunizations	No, see below
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	Yes
NonclassroomBased Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for NonclassroomBased Instruction, for charter schools	No, see below
Annual Instructional Minutes ClassroomBased, for charter schools	Yes
Charter School Facility Grant Program	No, see below

(Continued)

The District did not have any students repeat Kindergarten; therefore, we did not perform any testing of Kindergarten Continuance.

The District's reported ADA for Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing of Independent Study ADA.

The District does not operate a Continuation Education program or Middle or Early College High Schools; therefore, we did not perform any testing of Continuation Education or Middle or Early College High Schools.

The District did not offer an Early Retirement Incentive Program; therefore, we did not perform any procedures related to this program.

The District is not a County Office; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District did not expend any Educator Effectiveness or California Clean Energy Job Act funds in the current year, therefore, we did not perform any procedures related to the Educator Effectiveness or California Clean Energy Job Act funds.

The District did not receive any funds from the After School Education and Safety Program; therefore, we did not perform any procedures related to the After School Education and Safety Program.

The District did not offer an Independent Study-Course Based program; therefore, we did not perform any procedures related to this program.

The District submitted all required immunization assessment reports to the California Department of Public Health; therefore, we did not perform any procedures related to this requirement.

The District's reported ADA for Nonclassroom-Based Instruction/Independent Study, for charter schools was below the materiality level that requires testing; therefore, we did not perform any testing of Nonclassroom-Based Instruction/Independent Study, for charter schools and Determination of Funding for Nonclassroom-Based Instruction, for charter schools.

The District did not expend any Charter School Facilities Grant Program funds in the current year, therefore, we did not perform any procedures related to the Charter School Facilities Grant Program funds.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on Auburn Union School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Auburn Union School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Auburn Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

(Continued)

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Auburn Union School District's compliance.

Opinion on Compliance with State Laws and Regulations

In our opinion, Auburn Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2017.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California

December 12, 2017

(Continued)

INDEPENDENT AUDITOR'S 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

Board of Trustees
Auburn Union School District
Auburn, 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 Auburn Union School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Auburn Union School District's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Auburn Union 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 Auburn Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Auburn Union 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 identified deficiencies involving internal control that we communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2017-001.

(Continued)

Compliance and Other Matters

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

Auburn Union School District Response to Finding

Auburn Union School District's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Auburn Union 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. 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.



Crowe Horwath LLP

Sacramento, California
December 12, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
Auburn Union School District
Auburn, California

Report on Compliance for Each Major Federal Program

We have audited Auburn Union 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 Auburn Union School District's major federal programs for the year ended June 30, 2017. Auburn Union 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 Auburn Union 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; 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 Auburn Union 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 Auburn Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Auburn Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

(Continued)

Report on Internal Control Over Compliance

Management of Auburn Union 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 Auburn Union 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 Auburn Union 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.



Crowe Horwath LLP

Sacramento, California
December 12, 2017

FINDINGS AND RECOMMENDATIONS

AUBURN UNION SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

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

(Continued)

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

2017- 001 - DEFICIENCY – STUDENT BODY ACCOUNTING (30000)

Criteria

Internal Controls - Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the School District.

Condition

Rock Creek Elementary

- Receipts are not issued when funds are turned in for deposit to the ASB secretary.
- Revenue-producing activities are not being formally approved in writing by the appropriate individual.
- Monthly bank reconciliations are not reconciled to the general ledger.

E.V. Cain

- There is no record of receipt books issued to student clubs.
- Receipts are not issued when funds are turned in for deposit to the ASB secretary.
- Deposits are not supported by detailed schedules defining the number of items received and the unit price per item or class rosters supporting fieldtrip collections.

Effect

There exists a risk that ASB funds could be misappropriated.

Cause

Adequate internal control procedures surrounding ASB accounts have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

The District should implement and enforce internal controls, including:

- Maintain a record of receipt books issued to student clubs and/or teachers for fundraisers.
- Issue receipts to individuals when funds are turned in for deposit.
- Deposits should be properly supported by detail schedules to substantiate the amounts collected.
- Utilize the Request for Approval forms for all revenue-producing activities.
- Reconcile monthly Bank Reconciliation Reports to the general ledger.

Views of Responsible Officials and Planned Corrective Action

The District has scheduled a FCMAAT ASB training for administrators and clerks to implement and enforce appropriate internal control procedures.

(Continued)

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

AUBURN UNION SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2016-001	Not implemented.	See current year finding at 2017-001.
<u>Condition:</u> The following internal controls deficiencies were noted:		
E.V. Cain		
<ul style="list-style-type: none">• There is no record of receipt books issued to student clubs.• Receipts are not issued when funds are turned in for deposit to the ASB secretary.• Deposits are not supported by detailed schedules defining the number of items receipted and the unit price per item or class rosters supporting fieldtrip collections.		
Auburn Elementary		
<ul style="list-style-type: none">• There is no record of receipt books issued to student clubs.• Revenue-producing activities are not being formally approved in writing by the appropriate individual.• Monthly bank reconciliations are not reconciled to the general ledger.		
<u>Recommendation:</u> The District should implement and enforce internal controls, including:		
<ul style="list-style-type: none">• Maintain a record of receipt books issued to student clubs and/or teachers for fundraisers.• Issue receipts to individuals when funds are turned in for deposit.• Deposits should be properly supported by detail schedules to substantiate the amounts collected.• Utilize the Request for Approval forms for all revenue-producing activities.• Reconcile monthly bank reconciliation reports to the general ledger.		
