# AUBURN UNION SCHOOL DISTRICT

## FINANCIAL STATEMENTS
June 30, 2018

AUBURN UNION SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018
(Continued)

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AUBURN UNION SCHOOL DISTRICT

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WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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# 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, 2018, 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, 2018, 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)

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This resulted in a restatement of the beginning net position of $(480,355). Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* 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 Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 50 through 56 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 Award*s 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, 2018 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 LLP

Crowe LLP

Sacramento, California
December 12, 2018

**AUBURN UNION SCHOOL DISTRICT**
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PHONE 530-745-8814 FAX 530-885-5170

# MANAGEMENT DISCUSSION AND ANALYSIS
## Fiscal Year Ending June 30, 2018

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, 2018. 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.

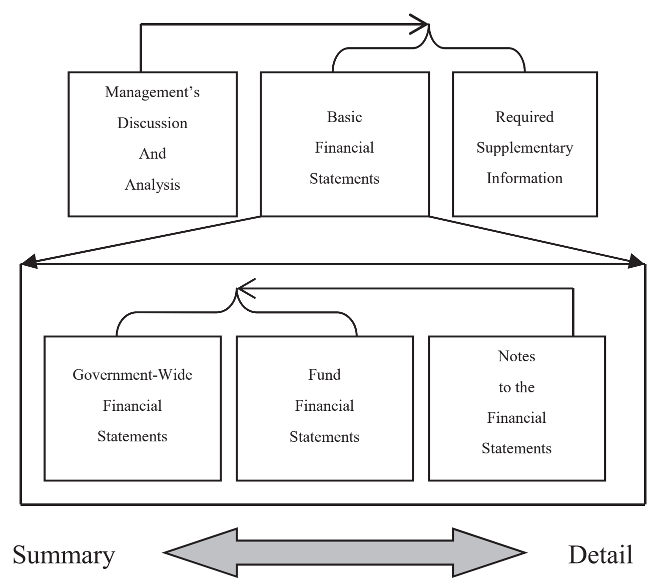
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

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<br>Statement of Activities | Balance Sheet<br>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

- Starting in 2018/19, EV Cain STEM Charter School will re-joining the district. Financial transactions occurred in 2017/18 to reflect transferring ending fund balances associated with EV Cain STEM Charter School to Auburn Union School District.

- District-wide enrollment has declined 7 out of the last 10 years. Enrollment in 2017/18 was 2,002, which is a decline of thirty-three students from the prior year.

- The ratio of attendance to enrollment was approximately 96% in 2017/18.

- 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 2017/18, the District's number of unduplicated English language learner, economically disadvantaged and foster student population was 1,204 which represents 60% of enrollment.

- During 2017/18, 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, 2017 | June 30, 2018 | % Variance |
| Assets: | | | |
| Cash and Investments | $ 39,522,078 | $ 41,260,876 | |
| Receivables | 1,265,390 | 1,185,192 | |
| Prepaid Expenses | 55,666 | 44,805 | |
| Store Inventory | 63,868 | 136,308 | |
| Capital Assets, net of Depreciation | 10,546,570 | 10,179,002 | |
| Total Assets | 51,453,572 | 52,806,183 | 2.6% |
| | | | |
| Deferred Outflows of Resources | 5,485,562 | 7,595,506 | 38.5% |
| Liabilities: | | | |
| Accounts Payable | 1,890,172 | 2,145,484 | |
| Deferred Revenue | 0 | 16,237 | |
| Long-term Liabilities | | | |
| Current Portion | 337,649 | 233,409 | |
| Non-Current Portion | 60,269,289 | 62,455,804 | |
| Total Liabilities | 62,497,110 | 64,850,934 | 3.8% |
| | | | |
| Deferred Inflows of Resources | 1,309,000 | 2,119,000 | 61.9% |
| Net Position: | | | |
| Net investment in capital assets | 5,017,522 | 6,349,034 | |
| Restricted | 4,264,470 | 2,522,988 | |
| Unrestricted | (16,148,968) | (15,440,267) | |
| Total Net Position | $ (6,866,976) | $ (6,568,245) | -4.4% |

Total net position increased by $298,731 during the 2017/18 fiscal year. Capital assets net of depreciation decreased by a total of $367,568 due to depreciation. Cash and Investments increased by $1,738,798 due to increased funding from local tax revenues and additional grant revenues. Total liabilities had a net increase of $2,353,824 primarily a result of accruals relating to GASB 68 as well as the implementation of GASB 75 for the recognition of the total OPEB liability.

GASB 68 pension related transactions included on the Statement of Net Position are as follows:
Deferred outflows of resources related to pensions: $5,774,664
Deferred inflows of resources related to pensions: $2,119,000
Net Pension Liability: $20,254,000

It should be noted that land is accounted for at purchase value, not market value, and is not depreciated. Market 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 | | |
|---|---|---|---|
| | 2016/17 | 2017/18* | % Variance |
| Revenues – Program: | | | |
| Charges for Services | $ 616,752 | $ 566,680 | |
| Operating Grants and Contributions | 4,398,573 | 3,895,479 | |
| Revenues – General: | | | |
| Taxes Levied for General Purposes | 10,494,015 | 11,025,775 | |
| Taxes Levied for Other Debt Service | 372,282 | 436,686 | |
| Taxes Levied for Other Specific Purposes | 144,229 | 158,118 | |
| Unrestricted Federal and State Aid | 7,293,884 | 6,723,758 | |
| Interest and Investment Earnings | 1,980,050 | 2,320,897 | |
| Miscellaneous | 341,948 | 184,079 | |
| Total Revenues | $ 25,641,733 | $ 25,311,472 | -1.3% |
| Expenses | | | |
| Instruction | $ 12,474,487 | $ 13,156,080 | |
| Instruction Related | 1,838,082 | 1,923,982 | |
| Pupil Services | 3,051,930 | 3,350,536 | |
| General Administration | 1,508,088 | 1,483,532 | |
| Plant Services | 2,751,602 | 2,482,919 | |
| Other Expenses | 2,268,349 | 2,135,337 | |
| Total Expenses | $ 23,892,538 | $ 24,532,386 | 2.7% |
| | | | |
| Net Position, Beginning of the Year* | $ (8,616,171) | $ (7,347,331) | |
| Decrease in Net Position | 1,749,195 | 779,086 | |
| Net Position, End of the Year | $ (6,866,976) | $ (6,568,245) | 4.4% |

*Due to the implementation of GASB 75 in the current fiscal year, 2017/18, the District's beginning net position for fiscal year 2017/18 was restated by a decrease of $480,355.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

| Ending Fund Balances | 2016/17 | 2017/18 | Difference | % Change |
|---|---|---|---|---|
| General (Unrestricted & Restricted) | $ 4,033,564 | $ 5,634,279 | $ 1,600,715 | 39.7% |
| Charter Schools | 2,017,693 | 163,479 | (1,854,214) | -91.9% |
| Cafeteria | 671,135 | 756,410 | 85,275 | 12.7% |
| Building | 17,643 | 17,670 | 27 | 0.2% |
| Capital School Facilities | 238,246 | 144,647 | (93,599) | -39.3% |
| County School Facilities | 48 | 48 | 0 | 0.0% |
| Special Reserve for Capital Outlay | 34 | 35 | 1 | 2.9% |
| Mello Roos - Capital Project | 369 | 376 | 7 | 1.9% |
| Mello Roos - Debt Service | 83,645 | 104,752 | 21,107 | 25.2% |
| Special Reserve 56 Debt Service | 32,062,868 | 33,798,977 | 1,736,109 | 5.4% |
| Total | $ 39,125,245 | $ 40,620,673 | $ 1,495,428 | 3.8% |

As the District completed the year, its funds reported a combined fund balance of $40,620,673 in 2017/18, which is illustrated above.

**GENERAL FUND RECAP – FUND 01**

| Description | 2016/17 Unaudited Actuals | 2017/18 Unaudited Actuals | Difference |
|---|---|---|---|
| Beginning Balance | $ 3,102,890 | $ 4,033,565 | $ 930,675 |
| Revenues + Transfer In/Sources | 15,696,285 | 17,902,625 | 2,206,340 |
| Expenditure + Transfer Out/Uses | 14,765,610 | 16,301,910 | 1,536,300 |
| Ending Balance | $ 4,033,565 | $ 5,634,279 | $ 1,600,714 |

**GENERAL FUND RECAP (UNRESTRICTED)**

| Description | 2016/17 Unaudited Actuals | 2017/18 Unaudited Actuals | Difference |
|---|---|---|---|
| Beginning Balance | $ 2,211,464 | $ 2,822,100 | $ 610,636 |
| Revenues + Transfer In/Sources | 11,559,511 | 13,030,727 | 1,471,216 |
| Expenditure + Transfer Out/Uses | 10,948,875 | 11,373,922 | 425,047 |
| Ending Balance | $ 2,822,101 | $ 4,478,905 | $ 1,656,804 |

**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 | $ 10,552,767 | $ 326,701 | $ 10,879,468 |
| Federal Revenue | 30,793 | 891,692 | 922,485 |
| Other State Revenue | 399,701 | 900,416 | 1,300,117 |
| Other Local Revenue | 295,903 | 1,033,112 | 1,329,015 |
| Transfers In/Other Sources | 1,751,563 | 1,317,467 | 3,069,030 |
| Unrestricted Contributions to Restricted | (2,074,418) | 2,074,418 | 0 |
| Total Revenue | $ 10,956,309 | $ 6,543,806 | $ 17,500,115 |

**Combined General Fund**

Following is a recap of General Fund expenditures by category:

| | Unrestricted | Restricted | Combined |
|---|---|---|---|
| Certificated Salaries | $ 4,358,897 | $ 1,810,109 | $ 6,169,007 |
| Classified Salaries | 1,392,330 | 1,232,453 | 2,624,783 |
| Employee Benefits | 1,769,059 | 1,406,794 | 3,175,853 |
| Books and Supplies | 114,424 | 136,568 | 250,992 |
| Services | 1,994,228 | 718,628 | 2,712,857 |
| Capital Outlay | 6,929 | 306,294 | 313,223 |
| Other Outgo/Transfers Out | (336,363) | 989,049 | 652,686 |
| Total Expenditures | $ 9,299,504 | $ 6,599,895 | $ 15,899,401 |

The General Fund is used for expenditures for many of the functions within the District, 75% of all expenditures are tied to salaries and benefits. Salaries and benefits comprise 81% and 67% of expenses for unrestricted and restricted funding sources, respectively.

The following programs in the general fund required financial contributions to fund operations:

| Underfunded Programs | Amount |
|---|---|
| Restricted Maintenance Account – AUSD General Fund Contribution | $ 459,202 |
| Special Education – AUSD General Fund Contribution | 1,615,264 |
| Special Education – Charter Fund Contribution | 1,094,213 |
| Total Contributions | $ 3,168,679 |

**CHARTER FUND RECAP – FUND 09**

**E. V. Cain 21st Century STEM Charter School**

| Description | 2016/17 Unaudited Actuals | 2017/18 Unaudited Actuals | Difference |
|---|---|---|---|
| Beginning Balance | $ 1,196,238 | $ 1,772,051 | $ 575,813 |
| Revenues + Transfer In/Sources | 5,704,454 | 5,574,382 | (130,072) |
| Expenditure + Transfer Out/Uses | 5,128,641 | 7,346,433 | 2,217,792 |
| Ending Balance | $ 1,772,051 | $ 0 | ($ 1,772,051) |

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

**E. V. Cain Revenue**

| | |
|---|---|
| General Purpose LCFF Sources | $ 5,117,315 |
| Other State Revenues | 429,201 |
| Other Local Revenues | 27,866 |
| Total | $ 5,574,382 |

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 Expenses**

| | |
|---|---|
| Certificated Salaries | $ 2,212,118 |
| Classified Salaries | 413,252 |
| Employee Benefits | 970,988 |
| Books and Supplies | 131,875 |
| Services | 307,158 |
| Capital Outlay | 164,118 |
| Other Outgo/Transfers Out | 3,146,924 |
| Total Expenditures | $ 7,346,433 |

### Alta Vista Community Charter School

| Description | 2016/17 Unaudited Actuals | 2017/18 Unaudited Actuals | Difference |
|---|---|---|---|
| Beginning Balance | $ 88,761 | $ 245,642 | $ 156,881 |
| Revenues + Transfer In/Sources | 1,368,694 | 1,283,110 | (85,584) |
| Expenditure + Transfer Out/Uses | 1,211,813 | 1,365,273 | 153,460 |
| Ending Balance | $ 245,642 | $ 163,479 | ($ 82,163) |

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

### Alta Vista Revenue

| | |
|---|---|
| General Purpose LCFF Sources | $ 1,064,063 |
| Federal Revenues | (49,747) |
| Other State Revenues | 86,794 |
| Other Local Revenues | 21,428 |
| Transfers In/Other Sources | 160,571 |
| Total | $ 1,283,110 |

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 Expenses

| | |
|---|---|
| Certificated Salaries | $ 497,726 |
| Classified Salaries | 161,551 |
| Employee Benefits | 232,509 |
| Books and Supplies | 44,490 |
| Services | 93,250 |
| Capital Outlay | 57,394 |
| Other Outgo/Transfers Out | 278,354 |
| Total Expenditures | $ 1,365,274 |

## 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 2017/18 General Fund operating budget was adopted by the Governing Board in June of 2017. As adopted, budgeted fund inflows totaled $16.1 million, and projected fund outflows totaled $16.9 million. As a result of budgeted appropriations exceeding revenues, the District estimated a decrease to fund balance of $863K. The actual results reflect an increase to fund balance of $1.6 million. This resulted in an ending fund balance of approximately $5.6 million, combined unrestricted and restricted funds. Of this amount, $4.5 million is unrestricted.

Below is a summary of the primary differences when comparing the actual results to the adopted 2017/18 budget:

- The District received revenue and inflows of approximately $1.9 million more than the budget as a result of:
  - The District received $1.7 million as a result of transferring the ending fund balances associated with E.V. Cain 21st Century Charter School from fund 09.
  - Other local revenue local revenue increased by $233K due to higher than projected revenue from the E-rate program, interest income, and special education grant allocations.
  - The remaining differences are from all other sources, including transfers.

- The District incurred expenses and outflows of $613K less than the original budget as a result of:
  - Capital outlay and services expenses decreased by a combined total of $524K due to a portion of Prop 39 (energy efficiency) projects delayed to fiscal 2018/19.

# CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets at Year-End (Net of Depreciation)**

| | 2016/17 | 2017/18 | Difference |
|---|---|---|---|
| Land | $ 2,204,807 | $ 2,204,807 | $ 0 |
| Improvement of Sites | 62,575 | 110,252 | 47,677 |
| Buildings | 7,973,805 | 7,604,431 | (369,374) |
| Equipment | 305,383 | 259,512 | (45,871) |
| Totals | $ 10,546,570 | $ 10,179,002 | ($ 367,568) |

The decrease in the District's capital assets consists of recognizing depreciation expense for the 2017/18 fiscal year in the amount of $937,790. The District purchased equipment and improved sites in the amount of $570,222 in 2017/18.

**Long-term Liabilities at Year-End**

| | 2016/17 | 2017/18 | Difference |
|---|---|---|---|
| Certificates of Participation (COP) | $ 39,477,117 | $ 39,267,117 | ($ 210,000) |
| COP Accreted Interest Payable | 1,295,972 | 1,271,154 | (24,818) |
| Compensated Absences | 129,432 | 98,721 | (30,711) |
| Net Pension Liability (GASB 68) | 18,555,000 | 20,254,000 | 1,699,000 |
| Total OPEB Liability | 1,629,772 | 1,798,221 | 168,449 |
| Totals | $ 61,087,293 | $ 62,689,213 | $ 1,601,920 |

The District's long-term liabilities increased from 2016/17 to 2017/18 by $1.6 million primarily as a result of GASB 68 requirements as well as the implementation of GASB 75 requiring the recognition of the total unfunded OPEB liability.

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, 2018

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Cash and investments (Note 2) | $ 41,260,876 |
| Receivables | 1,185,192 |
| Prepaid expenses | 44,805 |
| Stores inventory | 136,308 |
| Non-depreciable capital assets (Note 4) | 2,204,807 |
| Capital assets, net of accumulated depreciation (Note 4) | 7,974,195 |
| Total assets | 52,806,183 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred outflows of resources - pensions (Notes 7 and 8) | 5,774,664 |
| Deferred outflow from advance refunding of debt | 1,820,842 |
| Total deferred outflows of resources | 7,595,506 |
| **LIABILITIES** | |
| Accounts payable | 2,145,484 |
| Deferred revenue | 16,237 |
| Long-term liabilities (Note 5): | |
| Due within one year | 233,409 |
| Due after one year | 62,455,804 |
| Total liabilities | 64,850,934 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred inflows of resources - pensions (Notes 7 and 8) | 2,119,000 |
| **NET POSITION** | |
| Net investment in capital assets | 6,349,034 |
| Restricted: | |
| Legally restricted programs | 2,072,790 |
| Capital projects | 162,776 |
| Debt service | 287,422 |
| Unrestricted | (15,440,267) |
| Total net position | $ (6,568,245) |

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

| | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenues and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Instruction | $ 13,156,080 | $ 23,373 | $ 2,028,160 | $ - | $ (11,104,547) |
| Instruction-related services: | | | | | |
| Supervision of instruction | 393,648 | - | 121,774 | - | (271,874) |
| Instructional library, media and technology | 91,868 | - | - | - | (91,868) |
| School site administration | 1,438,466 | 124 | 65,554 | - | (1,372,788) |
| Pupil services: | | | | | |
| Home-to-school transportation | 862,202 | - | 12 | - | (862,190) |
| Food services | 941,021 | 210,632 | 778,594 | - | 48,205 |
| All other pupil services | 1,547,313 | - | 397,720 | - | (1,149,593) |
| General administration: | | | | | |
| Data processing | 172,096 | - | - | - | (172,096) |
| All other general administration | 1,311,436 | 19,446 | 109,545 | - | (1,182,445) |
| Plant services | 2,482,919 | 31 | 761 | - | (2,482,127) |
| Ancillary services | 29,312 | 14,206 | 3,101 | - | (12,005) |
| Interest on long-term liabilities | 1,369,519 | - | - | - | (1,369,519) |
| Other outgo | 736,506 | 298,868 | 390,258 | - | (47,380) |
| Total governmental activities | $ 24,532,386 | $ 566,680 | $ 3,895,479 | $ - | (20,070,227) |

| | |
|---|---|
| General revenues: | |
| Taxes and subventions: | |
| Taxes levied for general purposes | 11,025,775 |
| Taxes levied for debt service | 436,686 |
| Taxes levied for other specific purposes | 158,118 |
| Federal and state aid not restricted to specific purposes | 6,723,758 |
| Interest and investment earnings | 2,320,897 |
| Miscellaneous | 184,079 |
| Total general revenues | 20,849,313 |
| Change in net position | 779,086 |
| Net position, July 1, 2017 | (6,866,976) |
| Cumulative effect of GASB 75 Implementation | (480,355) |
| Net position, July 1, 2017, as restated | (7,347,331) |
| Net position, June 30, 2018 | $ (6,568,245) |

AUBURN UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

| | General Fund | Charter Schools Fund | Special Reserve 56 Fund | All Non-Major Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and investments: | | | | | |
| Cash in County Treasury | $ 6,764,350 | $ - | $ 24,515 | $ 807,972 | $ 7,596,837 |
| Cash awaiting deposit | 16,420 | 2,713 | - | 5,058 | 24,191 |
| Cash on hand and in banks | - | - | - | 18,541 | 18,541 |
| Cash in revolving fund | 5,000 | - | - | - | 5,000 |
| Cash with Fiscal Agent | - | - | 33,616,307 | - | 33,616,307 |
| Receivables | 1,010,697 | 54,193 | 37 | 120,265 | 1,185,192 |
| Due from other funds | 4,129,429 | 4,340,979 | 158,118 | - | 8,628,526 |
| Prepaid expenditures | 44,805 | - | - | - | 44,805 |
| Stores inventory | - | - | - | 136,308 | 136,308 |
| Total assets | $ 11,970,701 | $ 4,397,885 | $ 33,798,977 | $ 1,088,144 | $ 51,255,707 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ 1,821,088 | $ 151,238 | $ - | $ 17,945 | $ 1,990,271 |
| Deferred revenue | 16,237 | - | - | - | 16,237 |
| Due to other funds | 4,499,097 | 4,083,168 | - | 46,261 | 8,628,526 |
| Total liabilities | 6,336,422 | 4,234,406 | - | 64,206 | 10,635,034 |
| Fund balances: | | | | | |
| Nonspendable | 49,805 | - | - | 136,308 | 186,113 |
| Restricted | 1,152,901 | 163,479 | 33,798,977 | 887,630 | 36,002,987 |
| Assigned | 3,954,617 | - | - | - | 3,954,617 |
| Unassigned | 476,956 | - | - | - | 476,956 |
| Total fund balances | 5,634,279 | 163,479 | 33,798,977 | 1,023,938 | 40,620,673 |
| Total liabilities and fund balances | $ 11,970,701 | $ 4,397,885 | $ 33,798,977 | $ 1,088,144 | $ 51,255,707 |

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

| | | |
|---|---|---|
| Total fund balances - Governmental Funds | | $ 40,620,673 |
| 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 $30,424,046 and the accumulated depreciation is $20,245,044 (Note 4). | | 10,179,002 |
| 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, 2018 consisted of (Note 5): | | |
| Certificates of Participation | $ (39,267,117) | |
| Accreted interest | (1,271,154) | |
| Total OPEB liability (Note 9) | (1,798,221) | |
| Compensated absences | (98,721) | |
| Net pension liability (Notes 7 and 8) | (20,254,000) | (62,689,213) |
| 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. | | (155,213) |
| 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). | | 1,820,842 |
| 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 | $ 5,774,664 | |
| Deferred inflows of resources relating to pensions | (2,119,000) | |
| | | 3,655,664 |
| Total net position - governmental activities | | $ (6,568,245) |

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, 2018

| | General Fund | Charter Schools Fund | Special Reserve 56 Fund | All Non-Major Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Local Control Funding Formula (LCFF): | | | | | |
| State apportionment | $ 4,173,472 | $ 2,167,128 | $ - | $ - | $ 6,340,600 |
| Local sources | 6,705,996 | 4,014,250 | - | - | 10,720,246 |
| Total LCFF | 10,879,468 | 6,181,378 | - | - | 17,060,846 |
| Federal sources | 922,485 | - | - | 751,316 | 1,673,801 |
| Other state sources | 1,300,117 | 466,249 | - | 58,138 | 1,824,504 |
| Other local sources | 1,329,016 | 49,292 | 2,205,670 | 1,016,342 | 4,600,320 |
| Total revenues | 14,431,086 | 6,696,919 | 2,205,670 | 1,825,796 | 25,159,471 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Certificated salaries | 6,169,007 | 2,709,844 | - | - | 8,878,851 |
| Classified salaries | 2,624,783 | 574,804 | - | 377,866 | 3,577,453 |
| Employee benefits | 3,175,852 | 1,203,495 | - | 121,235 | 4,500,582 |
| Books and supplies | 250,993 | 176,364 | - | 348,934 | 776,291 |
| Contract services and operating expenditures | 2,712,857 | 400,407 | - | 50,741 | 3,164,005 |
| Other outgo | 736,506 | - | - | - | 736,506 |
| Capital outlay | 313,223 | 221,512 | - | 26,903 | 561,638 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | 210,000 | 210,000 |
| Interest | - | - | 1,252,679 | 6,038 | 1,258,717 |
| Total expenditures | 15,983,221 | 5,286,426 | 1,252,679 | 1,141,717 | 23,664,043 |
| (Deficiency) excess of revenues (under) over expenditures | (1,552,135) | 1,410,493 | 952,991 | 684,079 | 1,495,428 |
| Other financing sources (uses): | | | | | |
| Transfers in | 3,471,539 | 160,571 | 783,118 | - | 4,415,228 |
| Transfers out | (318,689) | (3,425,278) | - | (671,261) | (4,415,228) |
| Total other financing sources (uses) | 3,152,850 | (3,264,707) | 783,118 | (671,261) | - |
| Net change in fund balances | 1,600,715 | (1,854,214) | 1,736,109 | 12,818 | 1,495,428 |
| Fund balances, July 1, 2017 | 4,033,564 | 2,017,693 | 32,062,868 | 1,011,120 | 39,125,245 |
| Fund balances, June 30, 2018 | $ 5,634,279 | $ 163,479 | $ 33,798,977 | $ 1,023,938 | $ 40,620,673 |

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, 2018

| | |
|---|---|
| Net change in fund balances - Total Governmental Funds | $ 1,495,428 |
| 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). | 570,222 |
| Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). | (937,790) |
| 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). | 210,000 |
| Accreted interest is not recognized until due and, therefore, is not accrued as a payable in governmental funds (Note 5). | 24,818 |
| 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. | (46,798) |
| 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): | (310,234) |
| In the statement of activities, expenses related to the total OPEB liability 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). | (137,738) |
| Change in net position of governmental activities | $ 779,086 |

AUBURN UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
June 30, 2018

| | Agency Funds |
|---|---|
| **ASSETS** | |
| Cash and investments (Note 2) | |
| Cash in County Treasury | $ 1,002,038 |
| Cash on hand and in banks | 80,746 |
| Total assets | $ 1,082,784 |
| **LIABILITIES** | |
| Due to student groups | $ 80,746 |
| Accounts payable | 1,002,038 |
| Total liabilities | $ 1,082,784 |

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)

**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, 2018.

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, 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. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the net pension liability reported in the Statement of Net Position.

(Continued)

**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 net 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:

| | STRP | PERS B | Total |
|---|---|---|---|
| Deferred outflows of resources | $ 3,915,971 | $ 1,858,693 | $ 5,774,664 |
| Deferred inflows of resources | $ 1,882,000 | $ 237,000 | $ 2,119,000 |
| Net pension liability | $ 14,226,000 | $ 6,028,000 | $ 20,254,000 |
| Pension expense | $ 1,966,882 | $ 926,436 | $ 2,893,318 |

Other Postemployment Benefits (OPEB): For purposes of measuring the total OPEB liability, information about additions to/deductions from Auburn Unified School District's Plan (the "Plan") have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. No assets are held by the Plan as of June 30, 2018.

Compensated Absences: Compensated absences in the amount of $98,721 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

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, 2018, 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, 2018, 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)

**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, 2018, 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.

New Accounting Pronouncements: In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on the implementation of Statement No. 75, the District's July 1, 2017 net position was restated by decreasing net position by $480,355 because of the recognition of the total OPEB liability.

(Continued)

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2018 consisted of the following:

| | Governmental Funds | Fiduciary Funds |
|---|---|---|
| Pooled Funds: | | |
| Cash in County Treasury | $ 7,596,837 | $ 1,002,038 |
| Cash awaiting deposit | 24,191 | - |
| Deposits: | | |
| Cash on hand and in banks | 18,541 | 80,746 |
| Cash in revolving fund | 5,000 | - |
| Cash with Fiscal Agent | 33,616,307 | - |
| Total | $ 41,260,876 | $ 1,082,784 |

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, 2018, the carrying amount of the District's accounts was $104,287 and the bank balances were $87,275, 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, 2018, 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, 2018, the District had no concentration of credit risk.

(Continued)

## 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, 2018 were as follows:

| Fund | Interfund Receivables | Interfund Payables |
|---|---|---|
| Major Funds: | | |
| General | $ 4,129,429 | $ 4,499,097 |
| Charter School | 4,340,979 | 4,083,168 |
| Special Reserve 56 | 158,118 | - |
| Non-Major Funds: | | |
| Cafeteria | - | 46,261 |
| Totals | $ 8,628,526 | $ 8,628,526 |

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

Transfers for the 2017-2018 fiscal year were as follows:

| | |
|---|---|
| Transfer from the General Fund to Charter Schools Fund for general support. | $ 160,571 |
| Transfer from the General Fund to Special Reserve 56 Fund for RDA Revenue transfer. | 158,118 |
| Transfer from the Charter Schools Fund to the General Fund for the reorganization of E.V. Cain Charter to a regular school. | 1,715,670 |
| Transfer from the Charter Schools Fund to the General Fund for special education and other support costs. | 1,353,360 |
| Transfer from the Charter Schools Fund to the General Fund for indirect costs. | 356,248 |
| Transfer from the Cafeteria Fund to the General Fund for indirect costs. | 46,261 |
| Transfer from the Capital Facilities Fund to the Special Reserve 56 Fund for COP Debt service payments. | 425,000 |
| Transfer from the Mello-Roos Debt Service Fund to the Special Reserve 56 Fund for COP Debt service payments. | 200,000 |
| | $ 4,415,228 |

## NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital asset for the year ended June 30, 2018, is shown below:

| | Balance July 1, 2017 | Additions | Deductions | Balance June 30, 2018 |
|---|---|---|---|---|
| Non-depreciable: | | | | |
| Land | $ 2,204,807 | $ - | $ - | $ 2,204,807 |
| Depreciable: | | | | |
| Improvement of sites | 556,796 | 57,812 | - | 614,608 |
| Buildings | 25,600,784 | 503,828 | - | 26,104,612 |
| Equipment | 1,491,437 | 8,582 | - | 1,500,019 |
| Totals, at cost | 29,853,824 | 570,222 | - | 30,424,046 |
| Less accumulated depreciation: | | | | |
| Improvement of sites | (494,221) | (10,135) | - | (504,356) |
| Buildings | (17,626,979) | (873,202) | - | (18,500,181) |
| Equipment | (1,186,054) | (54,453) | - | (1,240,507) |
| Total accumulated depreciation | (19,307,254) | (937,790) | - | (20,245,044) |
| Capital assets, net | $ 10,546,570 | $ (367,568) | $ - | $ 10,179,002 |

Depreciation expense was charged to governmental activities as follows:

| | |
|---|---|
| Instruction | $ 426,137 |
| Instructional library, media and technology | 26,716 |
| Food services | 23,067 |
| Data processing | 15,844 |
| All other pupil services | 797 |
| All other general administration | 27,890 |
| Plant services | 417,339 |
| Total depreciation expense | $ 937,790 |

(Continued)

**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, | Principal | Interest | Total |
|---|---|---|---|
| 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 | 58,749 | 185,072 | 243,821 |
| 2024-2028 | 252,503 | 1,011,482 | 1,263,985 |
| 2029-2030 | 84,440 | 332,131 | 416,571 |
| Total | $ 663,580 | $ 2,195,186 | $ 2,858,766 |

B - January 2015 Refinancing Issuance

In January 2015, the District issued $32,497,308 of Step Coupon Demand Certificates of Participation at a current interest rate of 3.40%. Beginning in December 2021, the interest rate increases to 4.00% through maturity. 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, | Principal | Interest | Total |
|---|---|---|---|
| 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 | 1,283,343 | 1,246,757 | 2,530,100 |
| 2024-2028 | 7,209,073 | 5,423,145 | 12,632,218 |
| 2029-2033 | 9,252,202 | 3,848,031 | 13,100,233 |
| 2034-2038 | 13,424,303 | 1,687,930 | 15,112,233 |
| Total | $ 32,497,308 | $ 16,722,987 | $ 49,220,295 |

(Continued)

**NOTE 5 - LONG-TERM LIABILITIES** (Continued)

C - June 2016 Refinancing Issuance

In June 2016, the District issued $6,106,229 of Refunding Lease Financing at an interest rate of 2.42%. 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 |
|---|---|---|---|
| 2019 | $ - | $ 147,771 | $ 147,771 |
| 2020 | - | 147,771 | 147,771 |
| 2021 | - | 147,771 | 147,771 |
| 2022 | 274,515 | 196,010 | 470,525 |
| 2023 | 238,544 | 233,269 | 471,813 |
| 2024-2028 | 1,346,046 | 1,015,202 | 2,361,248 |
| 2029-2033 | 1,729,813 | 721,280 | 2,451,093 |
| 2034-2038 | 2,517,311 | 316,782 | 2,834,093 |
| Total | $ 6,106,229 | $ 2,925,856 | $ 9,032,085 |

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2018, is shown below:

| | Balance July 1, 2017 as Restated | Additions | Deductions | Balance June 30, 2018 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Certificates of Participation: | | | | | |
| December 1999 | $ 873,580 | $ - | $ 210,000 | $ 663,580 | $ 72,533 |
| January 2015 | 32,497,308 | - | - | 32,497,308 | - |
| June 2016 | 6,106,229 | - | - | 6,106,229 | - |
| Accreted interest | 1,295,972 | 127,649 | 152,467 | 1,271,154 | 160,876 |
| Total OPEB liability (Note 9) | 1,629,772 | 168,449 | - | 1,798,221 | - |
| Net pension liability (Notes 7 and 8) | 18,555,000 | 1,699,000 | - | 20,254,000 | - |
| Compensated absences | 129,432 | - | 30,711 | 98,721 | - |
| | $ 61,087,293 | $ 1,995,098 | $ 393,178 | $ 62,689,213 | $ 233,409 |

Payments on the Certificates of Participation are made from the Mello-Roos Debt Service Fund. Payments on the total OPEB liability, net pension liability and compensated absences are made from the fund for which the related employee worked.

(Continued)

**NOTE 6 - FUND BALANCES**

Fund balances, by category, at June 30, 2018 consisted of the following:

| | General Fund | Charter School Fund | Special Reserve 56 Fund | All Non-Major Funds | Total |
|---|---|---|---|---|---|
| Nonspendable: | | | | | |
| Revolving cash fund | $ 5,000 | $ - | $ - | $ - | $ 5,000 |
| Prepaid expenditures | 44,805 | - | - | - | 44,805 |
| Stores inventory | - | - | - | 136,308 | 136,308 |
| Subtotal nonspendable | 49,805 | - | - | 136,308 | 186,113 |
| Restricted: | | | | | |
| Legally restricted programs | 1,152,901 | 163,479 | - | 620,102 | 1,936,482 |
| Capital projects | - | - | - | 162,776 | 162,776 |
| Debt service | - | - | 33,798,977 | 104,752 | 33,903,729 |
| Subtotal restricted | 1,152,901 | 163,479 | 33,798,977 | 887,630 | 36,002,987 |
| Assigned: | | | | | |
| Mandate claims reimbursement | 794,976 | - | - | - | 794,976 |
| Facilities | 2,204,491 | - | - | - | 2,204,491 |
| Instructional materials | 543,210 | - | - | - | 543,210 |
| Technology | 100,000 | - | - | - | 100,000 |
| Special education | 200,000 | - | - | - | 200,000 |
| Medi-Cal administrative activities | 111,940 | - | - | - | 111,940 |
| Subtotal assigned | 3,954,617 | - | - | - | 3,954,617 |
| Unassigned: | | | | | |
| Designed for economic uncertainty | 476,956 | - | - | - | 476,956 |
| Total fund balances | $ 5,634,279 | $ 163,479 | $ 33,798,977 | $ 1,023,938 | $ 40,620,673 |

(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 plan 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.

<u>Benefits Provided:</u> 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 (DB) 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 full time 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)

**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 2017-2018. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their 2017-2018 retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2017-2018.

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.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

*Employers* – 14.43 percent of applicable member earnings.

Pursuant to AB 1469, employer contributions will increase from a prior rate of 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 CalSTRS 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 CalSTRS 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.

(Continued)

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

The CalSTRS employer contribution rate increases effective for fiscal year 2017-2018 through fiscal year 2045-46 are summarized in the table below:

| Effective Date | Prior Rate | Increase | Total |
|---|---|---|---|
| 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, 2021 to June 30, 2046 | 8.25% | * | * |
| July 01, 2046 | 8.25% | Increase from prior rate ceases in 2046-47 | |

* The Teachers' Retirement Board (the "board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The District contributed $1,226,971 to the plan for the fiscal year ended June 30, 2018.

State - 9.328 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 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-2018 and beyond are summarized in the table below.

| Effective Date | Base Rate | AB 1469 Increase For 1990 Benefit Structure | SBMA Funding(1) | Total State Appropriation to DB Program |
|---|---|---|---|---|
| July 01, 2018 | 2.017% | 5.311%(2) | 2.50% | 9.828% |
| July 01, 2019 to June 30, 2046 | 2.017% | (3) | 2.50% | (3) |
| July 1, 2046 and thereafter | 2.017% | (4) | 2.50% | 4.517%(3) |

(1) This rate does not include the $72 million reduction in accordance with Education Code Section 22954.
(2) In May 2018, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.
(3) The CalSTRS board has limited authority to adjust state contribution rates annually 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.
(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

(Continued)

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

| | |
|---|---|
| District's proportionate share of the net pension liability | $ 14,226,000 |
| State's proportionate share of the net pension liability associated with the District | 8,416,000 |
| Total | $ 22,642,000 |

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the District's proportion was 0.015 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $1,966,882 and revenue of $836,420 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 53,000 | $ 248,000 |
| Changes of assumptions | 2,636,000 | - |
| Net differences between projected and actual earnings on investments | - | 379,000 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | - | 1,255,000 |
| Contributions made subsequent to measurement date | 1,226,971 | - |
| Total | $ 3,915,971 | $ 1,882,000 |

(Continued)

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

$1,226,971 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ended June 30, | | |
|---|---|---|
| 2019 | $ | (157,083) |
| 2020 | $ | 397,917 |
| 2021 | $ | 193,917 |
| 2022 | $ | (177,417) |
| 2023 | $ | 194,333 |
| 2024 | $ | 355,333 |

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, 2017 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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation Date | June 30, 2016 |
| Experience Study | July 1, 2010 through June 30, 2015 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.10% |
| Consumer Price Inflation | 2.75% |
| Wage Growth | 3.50% |
| Post-retirement Benefit Increases | 2.00% simple for DB<br>Not applicable for DBS/CBB |

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

(Continued)

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

During the 2016-17 measurement period, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

| | Measurement Period | |
|---|---|---|
| Assumption | As of June 30, 2017 | As of June 30, 2016 |
| Consumer price inflation | 2.75% | 3.00% |
| Investment rate of return | 7.10% | 7.60% |
| Wage growth | 3.50% | 3.75% |

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 CalSTRS board in February 2017 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:

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

* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the 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.

(Continued)

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

| | 1% Decrease (6.10%) | Current Discount Rate (7.10%) | 1% Increase (8.10%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 20,889,000 | $ 14,226,000 | $ 8,819,000 |

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

**NOTE 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-2017.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 districts first join PERF B, 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, 2018 were as follows:

(Continued)

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

*Members* - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2017-18.

*Employers* - The employer contribution rate was 15.531 percent of applicable member earnings.

The District contributed $519,693 to the plan for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $6,028,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the District's proportion was 0.025 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $926,436. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 216,000 | $ - |
| Changes of assumptions | 880,000 | 71,000 |
| Net differences between projected and actual earnings on investments | 209,000 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 34,000 | 166,000 |
| Contributions made subsequent to measurement date | 519,693 | - |
| Total | $ 1,858,693 | $ 237,000 |

$519,693 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ended June 30, | |
|---|---|
| 2019 | $ 313,083 |
| 2020 | $ 544,083 |
| 2021 | $ 359,084 |
| 2022 | $ (114,250) |

(Continued)

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

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

| | |
|---|---|
| Valuation Date | June 30, 2016 |
| Experience Study | June 30, 1997 through June 30, 2011 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.15% |
| Consumer Price Inflation | 2.75% |
| Wage Growth | Varies by entry age and service |
| Post-retirement Benefit Increases | 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, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

During the 2016-17 measurement period, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent.

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.

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

* 10-year geometric average
(1) An expected inflation rate of 2.50% used for this period
(2) An expected inflation rate of 3.00% used for this period

(Continued)

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

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected 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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

| | 1% Decrease (6.15%) | Current Discount Rate (7.15%) | 1% Increase (8.15%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 8,869,000 | $ 6,028,000 | $ 3,671,000 |

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

(Continued)

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS**

Plan Description: In addition to the pension benefits described in Notes 7 and 8, the District provides post-employment health care benefits under a single employer defined benefit OPEB plan to eligible retirees and their spouses through an implicit rate subsidy for all retirees who elect to purchase benefits at the District's negotiated insurance premium rates. The plan does not issue separate financial statements.

The Auburn Union School District's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under one of the District's retirement plan to continue medical, dental and life insurance coverage as a participant in the District's plan. The District's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2018 the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2018:

| | Number of Participants |
|---|---|
| Inactive plan members, covered spouses, or beneficiaries currently receiving benefits | 15 |
| Inactive employees/dependents entitled to but not yet receiving benefits | - |
| Active employees | 194 |
| | 209 |

Benefits Provided*:* The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. 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.

Contributions*:* California Government Code specifies that the District's contribution requirements for plan members are established and may be amended by the Board of Trustees. The required contribution is based on projected pay-as-you-go financing requirements, with an amount to fund the actuarial accrued liability as determined annually by the Board.

Contributions to the Plan from the District were $106,288 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

*Total OPEB Liability*

The District's total OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

(Continued)

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS** (Continued)

Actuarial Assumptions: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Valuation Date | June 30, 2018 |
| Mortality Rate | PERS - The mortality assumptions are based on the 2014 CalPERS Mortality for Retired Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.<br><br>STRS - The mortality assumptions are based on the 2009 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis. |
| Discount Rate as of June 30, 2018 | 3.80%. Based Bond Buyer 20-Bond Index, as published by the Federal Reserve. |
| Retirement Rate | Retirement rates match rates developed in the experience studies for California PERS (2009) and California STRS (2009) |
| Inflation Rate | 2.75% per year |
| Salary Increases | 2.75% per year |
| Health Care Inflation | 4.00% |
| Termination Rate | The turnover assumptions are based on the 2009 CalSTRS Termination Rates table created by CalSTRS. CalSTRS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. |
| Funding Method | Entry Age Cost Method |

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS** (Continued)

*Changes in Total OPEB Liability*

| | Total OPEB Liability |
|---|---|
| Balance at June 30, 2017 | $ 1,629,772 |
| Changes for the year: | |
| Service cost | 210,928 |
| Interest | 63,809 |
| Changes of benefit terms | - |
| Differences between actual and expected experience | - |
| Changes in assumptions | - |
| Benefit payments | (106,288) |
| Administrative expenses | - |
| Net change | 168,449 |
| Balance, June 30, 2018 | $ 1,798,221 |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

| | 1% Decrease (2.80%) | Current Discount Rate (3.80%) | 1% Increase (4.80%) |
|---|---|---|---|
| Total OPEB liability | $ 1,899,037 | $ 1,798,221 | $ 1,703,118 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease (3.00%) | Healthcare Cost Trend Rates Rate (4.00%) | 1% Increase (5.00%) |
|---|---|---|---|
| Total OPEB Liability | $ 1,730,582 | $ 1,798,221 | $ 1,849,433 |

*OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2018, the District recognized OPEB expense of $274,737. At June 30, 2018, there were no deferred outflows of resources and deferred inflows of resources related to OPEB as this was the initial year of measurement.

(Continued)

**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 (latest information available):

| | | |
|---|---|---|
| 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, 2018

| | Budget | | | Variance |
| --- | --- | --- | --- | --- |
| | Original | Final | Actual | Favorable (Unfavorable) |
| Revenues: | | | | |
| LCFF: | | | | |
| State apportionment | $ 4,914,155 | $ 4,316,732 | $ 4,173,472 | $ (143,260) |
| Local sources | 5,877,458 | 6,503,330 | 6,705,996 | 202,666 |
| Total LCFF | 10,791,613 | 10,820,062 | 10,879,468 | 59,406 |
| Federal sources | 900,843 | 956,679 | 922,485 | (34,194) |
| Other state sources | 1,079,824 | 1,283,680 | 1,300,117 | 16,437 |
| Other local sources | 1,054,365 | 1,095,722 | 1,329,016 | 233,294 |
| Total revenues | 13,826,645 | 14,156,143 | 14,431,086 | 274,943 |
| Expenditures: | | | | |
| Current: | | | | |
| Certificated salaries | 5,763,375 | 6,149,160 | 6,169,007 | (19,847) |
| Classified salaries | 2,450,183 | 2,606,838 | 2,624,783 | (17,945) |
| Employee benefits | 3,095,882 | 3,214,711 | 3,175,852 | 38,859 |
| Books and supplies | 422,526 | 405,504 | 250,993 | 154,511 |
| Contract services and operating expenditures | 3,341,928 | 2,913,380 | 2,712,857 | 200,523 |
| Other outgo | 292,285 | 844,838 | 736,506 | 108,332 |
| Capital outlay | - | 636,622 | 313,223 | 323,399 |
| Total expenditures | 15,366,179 | 16,771,053 | 15,983,221 | 787,832 |
| (Deficiency) excess of revenues (under) over expenditures | (1,539,534) | (2,614,910) | (1,552,135) | 1,062,775 |
| Other financing sources (uses): | | | | |
| Transfers in | 1,325,096 | 1,895,506 | 3,471,539 | 1,576,033 |
| Transfers out | (200,000) | (144,000) | (318,689) | (174,689) |
| Total other financing sources (uses) | 1,125,096 | 1,751,506 | 3,152,850 | 1,401,344 |
| Net change in fund balance | (414,438) | (863,404) | 1,600,715 | 2,464,119 |
| Fund balance, July 1, 2017 | 4,033,564 | 4,033,564 | 4,033,564 | - |
| Fund balance, June 30, 2018 | $ 3,619,126 | $ 3,170,160 | $ 5,634,279 | $ 2,464,119 |

See accompanying note to required supplementary information

AUBURN UNION SCHOOL DISTRICT
CHARTER SCHOOLS FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2018

| | Budget | | | Variance |
|---|---|---|---|---|
| | Original | Final | Actual | Favorable (Unfavorable) |
| Revenues: | | | | |
| LCFF: | | | | |
| State apportionment | $ 2,454,321 | $ 2,115,719 | $ 2,167,128 | $ 51,409 |
| Local sources | 3,872,012 | 4,048,415 | 4,014,250 | (34,165) |
| Total LCFF | 6,326,333 | 6,164,134 | 6,181,378 | 17,244 |
| Other state sources | 588,769 | 499,176 | 466,249 | (32,927) |
| Other local sources | 58,700 | 72,600 | 49,292 | (23,308) |
| Total revenues | 6,973,802 | 6,735,910 | 6,696,919 | (38,991) |
| Expenditures: | | | | |
| Current: | | | | |
| Certificated salaries | 2,608,194 | 2,690,444 | 2,709,844 | (19,400) |
| Classified salaries | 537,243 | 570,070 | 574,804 | (4,734) |
| Employee benefits | 1,188,467 | 1,219,298 | 1,203,495 | 15,803 |
| Books and supplies | 208,930 | 258,341 | 176,364 | 81,977 |
| Contract services and other operating expenditures | 1,240,599 | 477,505 | 400,407 | 77,098 |
| Capital outlay | 410,649 | 547,488 | 221,512 | 325,976 |
| Total expenditures | 6,194,082 | 5,763,146 | 5,286,426 | 476,720 |
| Excess of revenues over expenditures | 779,720 | 972,764 | 1,410,493 | 437,729 |
| Other financing (uses) sources: | | | | |
| Transfers in | - | - | 160,571 | 160,571 |
| Transfers out | (1,325,096) | (1,843,735) | (3,425,278) | (1,581,543) |
| Total other financing (uses) sources | (1,325,096) | (1,843,735) | (3,264,707) | (1,420,972) |
| Net change in fund balance | (545,376) | (870,971) | (1,854,214) | (983,243) |
| Fund balance, July 1, 2017 | 2,017,693 | 2,017,693 | 2,017,693 | - |
| Fund balance, June 30, 2018 | $ 1,472,317 | $ 1,146,722 | $ 163,479 | $ (983,243) |

See accompanying note to required supplementary information

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2018

Last 10 Fiscal Years

| | 2018 |
|---|---|
| Total OPEB Liability | |
| Service Cost | $ 210,928 |
| Interest | 63,809 |
| Change in assumptions | - |
| Benefit Payments | (106,288) |
| Net change in total OPEB liability | 168,449 |
| Total OPEB liability - beginning of year | 1,629,772 |
| Total OPEB liability - end of year (a) | $ 1,798,221 |
| Covered employee payroll | $ 13,204,960 |
| Total OPEB liability as a percentage of covered-employee payroll | 13.62% |

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior. All years prior to 2018 are not available.

See accompanying note 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, 2018

State Teachers' Retirement Plan
Last 10 Fiscal Years

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| District's proportion of the net pension liability | 0.017% | 0.018% | 0.016% | 0.015% |
| District's proportionate share of the net pension liability | $ 10,197,000 | $ 11,858,000 | $ 13,298,000 | $ 14,226,000 |
| State's proportionate share of the net pension liability associated with the District | 6,157,000 | 6,272,000 | 7,571,000 | 8,416,000 |
| Total net pension liability | $ 16,354,000 | $ 18,130,000 | $ 20,869,000 | $ 22,642,000 |
| District's covered payroll | $ 7,772,000 | $ 8,175,000 | $ 8,194,000 | $ 8,153,000 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 131% | 145% | 162% | 174% |
| Plan fiduciary net position as a percentage of the total pension liability | 76.52% | 74.02% | 70.04% | 69.46% |

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)

Public Employer's Retirement Fund B
Last 10 Fiscal Years

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| District's proportion of the net pension liability | 0.026% | 0.027% | 0.027% | 0.025% |
| District's proportionate share of the net pension liability | $ 2,929,000 | $ 3,908,000 | $ 5,257,000 | $ 6,028,000 |
| District's covered payroll | $ 2,708,000 | $ 2,938,000 | $ 3,193,000 | $ 3,129,000 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 108.16% | 133.02% | 164.64% | 192.65% |
| Plan fiduciary net position as a percentage of the total pension liability | 83.38% | 74.02% | 73.89% | 71.87% |

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.

State Teachers' Retirement Plan
Last 10 Fiscal Years

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Contractually required contribution | $ 725,959 | $ 879,224 | $ 1,019,461 | $ 1,226,971 |
| Contributions in relation to the contractually required contribution | (725,959) | (879,224) | (1,019,461) | (1,226,971) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 8,175,000 | $ 8,194,000 | $ 8,153,000 | $ 8,503,000 |
| Contributions as a percentage of covered payroll | 8.88% | 10.73% | 12.58% | 14.43% |

All years prior to 2015 are not available.

(Continued)

Public Employer's Retirement Fund B
Last 10 Fiscal Years

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Contractually required contribution | $ 345,845 | $ 378,323 | $ 448,437 | $ 519,693 |
| Contributions in relation to the contractually required contribution | (345,845) | (378,323) | (448,437) | (519,693) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 2,938,000 | $ 3,193,000 | $ 3,129,000 | $ 3,346,000 |
| Contributions as a percentage of covered payroll | 11.77% | 11.85% | 13.89% | 15.53% |

All years prior to 2015 are not available.

## 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.

B - Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability

The Schedule of Changes in the District's Total OPEB liability is presented to illustrate the elements of the District's Total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

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.

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, 7.65 and 7.15 percent in the June 30, 2013, 2014, 2015 and 2016 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

| | Measurement Period | | |
|---|---|---|---|
| Assumption | As of June 30, 2017 | As of June 30, 2016 | As of June 30, 2015 |
| Consumer price inflation | 2.75% | 3.00% | 3.00% |
| Investment rate of return | 7.10% | 7.60% | 7.60% |
| Wage growth | 3.50% | 3.75% | 3.75% |

# SUPPLEMENTARY INFORMATION

AUBURN UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2018

| | 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 | $ 561,827 | $ 1,626 | $ 139,447 | $ 35 | $ 48 | $ 375 | $ 104,614 | $ 807,972 |
| Cash awaiting deposit | - | - | 5,058 | - | - | - | - | 5,058 |
| Cash on hand and in banks | 2,500 | 16,041 | - | - | - | - | - | 18,541 |
| Receivables | 119,981 | 3 | 142 | - | - | 1 | 138 | 120,265 |
| Stores inventory | 136,308 | - | - | - | - | - | - | 136,308 |
| Total assets | $ 820,616 | $ 17,670 | $ 144,647 | $ 35 | $ 48 | $ 376 | $ 104,752 | $ 1,088,144 |
| **LIABILITIES AND FUND BALANCES** | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | $ 17,945 | $ - | $ - | $ - | $ - | $ - | $ - | $ 17,945 |
| Due to other funds | 46,261 | - | - | - | - | - | - | 46,261 |
| Total liabilities | 64,206 | - | - | - | - | - | - | 64,206 |
| Fund balances: | | | | | | | | |
| Nonspendable | 136,308 | - | - | - | - | - | - | 136,308 |
| Restricted | 620,102 | 17,670 | 144,647 | 35 | 48 | 376 | 104,752 | 887,630 |
| Total fund balances | 756,410 | 17,670 | 144,647 | 35 | 48 | 376 | 104,752 | 1,023,938 |
| Total liabilities and fund balances | $ 820,616 | $ 17,670 | $ 144,647 | $ 35 | $ 48 | $ 376 | $ 104,752 | $ 1,088,144 |

AUBURN UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2018

| | 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 | $ 751,316 | $ - | - | $ - | $ - | $ - | $ - | $ 751,316 |
| Other state sources | 58,138 | - | - | - | - | - | - | 58,138 |
| Other local sources | 230,166 | 27 | 348,996 | 1 | - | 7 | 437,145 | 1,016,342 |
| Total revenues | 1,039,620 | 27 | 348,996 | 1 | - | 7 | 437,145 | 1,825,796 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Classified salaries | 377,866 | - | - | - | - | - | - | 377,866 |
| Employee benefits | 121,235 | - | - | - | - | - | - | 121,235 |
| Books and supplies | 348,934 | - | - | - | - | - | - | 348,934 |
| Contract services and operating expenditures | 33,146 | - | 17,595 | - | - | - | - | 50,741 |
| Capital outlay | 26,903 | - | - | - | - | - | - | 26,903 |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | 210,000 | 210,000 |
| Interest | - | - | - | - | - | - | 6,038 | 6,038 |
| Total expenditures | 908,084 | - | 17,595 | - | - | - | 216,038 | 1,141,717 |
| Excess of revenues over expenditures | 131,536 | 27 | 331,401 | 1 | - | 7 | 221,107 | 684,079 |
| Other financing uses: | | | | | | | | |
| Transfers out | (46,261) | - | (425,000) | - | - | - | (200,000) | (671,261) |
| Net change in fund balances | 85,275 | 27 | (93,599) | 1 | - | 7 | 21,107 | 12,818 |
| Fund balances, July 1, 2017 | 671,135 | 17,643 | 238,246 | 34 | 48 | 369 | 83,645 | 1,011,120 |
| Fund balances, June 30, 2018 | $ 756,410 | $ 17,670 | $ 144,647 | $ 35 | $ 48 | $ 376 | $ 104,752 | $ 1,023,938 |

AUBURN UNION SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2018

| | Balance July 1, 2017 | Additions | Deductions | Balance June 30, 2018 |
|---|---|---|---|---|
| E.V. Cain School | | | | |
| Assets: | | | | |
| Cash on hand and in banks | $ 37,280 | $ 116,160 | $ 101,137 | $ 52,303 |
| Liabilities: | | | | |
| Due to student groups | $ 37,280 | $ 116,160 | $ 101,137 | $ 52,303 |
| Rock Creek School | | | | |
| Assets: | | | | |
| Cash on hand and in banks | $ 20,624 | $ 28,950 | $ 36,762 | $ 12,812 |
| Liabilities: | | | | |
| Due to student groups | $ 20,624 | $ 28,950 | $ 36,762 | $ 12,812 |
| Sky Ridge School | | | | |
| Assets: | | | | |
| Cash on hand and in banks | $ 10,859 | $ 64,255 | $ 64,353 | $ 10,761 |
| Liabilities: | | | | |
| Due to student groups | $ 10,859 | $ 64,255 | $ 64,353 | $ 10,761 |
| Auburn Elementary School | | | | |
| Assets: | | | | |
| Cash on hand and in banks | $ 7,397 | $ 13,028 | $ 15,555 | $ 4,870 |
| Liabilities: | | | | |
| Due to student groups | $ 7,397 | $ 13,028 | $ 15,555 | $ 4,870 |
| Warrant Pass-Through Fund | | | | |
| Assets: | | | | |
| Cash in County Treasury | $ 799,736 | $ 9,169,483 | $ 8,967,181 | $ 1,002,038 |
| Liabilities: | | | | |
| Accounts payable | $ 799,736 | $ 9,169,483 | $ 8,967,181 | $ 1,002,038 |
| Total - All Agency Funds | | | | |
| Assets: | | | | |
| Cash in County Treasury | $ 799,736 | $ 9,169,483 | $ 8,967,181 | $ 1,002,038 |
| Cash on hand and in banks | 76,160 | 222,393 | 217,807 | 80,746 |
| Total | $ 875,896 | $ 9,391,876 | $ 9,184,988 | $ 1,082,784 |
| Liabilities: | | | | |
| Accounts payable | $ 799,736 | $ 9,169,483 | $ 8,967,181 | $ 1,002,038 |
| Due to student groups | 76,160 | 222,393 | 217,807 | 80,746 |
| Total | $ 875,896 | $ 9,391,876 | $ 9,184,988 | $ 1,082,784 |

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

| Name | Office | Term Expires |
|---|---|---|
| Michelle Sierra-Sammons | President | 2018 |
| Woody Hoffmann | Clerk | 2020 |
| Debbie Goodrich | Member | 2018 |
| Lashaun Byer | Member | 2020 |
| Julann Brown | 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, 2018

| | Second Period Report | Annual Report |
|---|---|---|
| Elementary | | |
| Certificate Number: | 353F9741 | BB23FB17 |
| Transitional Kindergarten through Third | 723 | 722 |
| Fourth through Sixth | 385 | 384 |
| Special Education | 5 | 5 |
| Subtotal Elementary | 1,113 | 1,111 |
| E. V. Cain Charter School | | |
| Certificate Number: | 1CA3ADFD | 8648D77A |
| Classroom-Based: | | |
| Sixth | 220 | 219 |
| Seventh and Eighth | 425 | 420 |
| Subtotal Classroom-Based | 645 | 639 |
| Nonclassroom-Based: | | |
| Sixth | 1 | 1 |
| Seventh and Eighth | 1 | 1 |
| Subtotal Nonclassroom-Based | 2 | 2 |
| Subtotal E. V. Cain Charter | 647 | 641 |
| Alta Vista Community Charter | | |
| Certificate Number: | CE77FBEA | 56D9507D |
| Classroom-Based: | | |
| Transitional Kindergarten through Third | 85 | 85 |
| Fourth through Sixth | 45 | 45 |
| Subtotal Alta Vista Community Charter | 130 | 130 |
| District Totals | 1,890 | 1,882 |

See accompanying notes to supplementary information.

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2018

| Grade Level | Statutory Minutes Require-ment | 2017-18 Actual Minutes | Number of Days Traditional Calendar | Status |
|---|---|---|---|---|
| **District:** | | | | |
| Kindergarten | 36,000 | 45,765 | 180 | In Compliance |
| Grade 1 | 50,400 | 52,915 | 180 | In Compliance |
| Grade 2 | 50,400 | 52,780 | 180 | In Compliance |
| Grade 3 | 50,400 | 52,780 | 180 | In Compliance |
| Grade 4 | 54,000 | 54,515 | 180 | In Compliance |
| Grade 5 | 54,000 | 54,515 | 180 | In Compliance |
| **E.V. Cain Charter School:** | | | | |
| Grade 6 | 54,000 | 55,329 | 180 | In Compliance |
| Grade 7 | 54,000 | 55,329 | 180 | In Compliance |
| Grade 8 | 54,000 | 55,159 | 180 | In Compliance |
| **Alta Vista Community Charter:** | | | | |
| Kindergarten | 36,000 | 46,900 | 180 | In Compliance |
| Grade 1 | 50,400 | 54,340 | 180 | In Compliance |
| Grade 2 | 50,400 | 54,340 | 180 | In Compliance |
| Grade 3 | 50,400 | 54,780 | 180 | In Compliance |
| Grade 4 | 54,000 | 54,780 | 180 | In Compliance |
| Grade 5 | 54,000 | 54,780 | 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, 2018

| Federal Catalog Number | Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass-Through Entity Identifying Number | Federal Expend-itures |
|---|---|---|---|
| | U.S. Department of Education - Passed through California Department of Education | | |
| | Special Education Cluster: | | |
| 84.027 | IDEA: Basic Local Assistance Entitlement, Part B, Section 611 (Formerly PL 94-142) | 13379 | $ 304,212 |
| 84.173 | IDEA: Preschool Grants, Part B, Section 619 (Age 3-4-5) | 13430 | 15,351 |
| 84.027A | IDEA: Special Education Preschool Local Entitlement, Part B, Section 611 | 10019 | 34,191 |
| 84.027A | IDEA: Special Education Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5) | 13682 | 73,479 |
| | Subtotal Special Education Cluster | | 427,233 |
| 84.010 | ESEA: Title I, Part A, Basic Grants Low-Income and Neglected | 14329 | 330,685 |
| 84.365 | ESEA: Title III, Limited English Proficient (LEP) Student Program | 14346 | 35,803 |
| 84.367 | ESEA: Title II, Part A, Improving Teacher Quality | 14341 | 62,703 |
| | Total U.S. Department of Education | | 856,424 |
| | U.S. Department of Health and Human Services - Passed through California Department of Health Care Services | | |
| | Medicaid Cluster: | | |
| 93.778 | Medi-Cal Collaborative | 10013 | 86,796 |
| 93.778 | Medi-Cal Administrative Activities | 10060 | 30,793 |
| | Total U.S. Department of Health and Human Services and Medicaid Cluster | | 117,589 |
| | U.S. Department of Agriculture - Passed through California Department of Education | | |
| | Child Nutrition Cluster: | | |
| 10.555 | National School Lunch Program | 13391 | 751,316 |
| | Total Federal Expenditures | | $ 1,725,329 |

See accompanying notes to supplementary information.

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

| General Fund | (Budget) 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Revenues and other financing sources | $ 21,049,416 | $ 17,902,625 | $ 16,110,570 | $ 15,988,944 |
| Expenditures | 21,463,412 | 15,983,221 | 14,984,779 | 15,160,364 |
| Other uses and transfers out | 144,000 | 318,689 | 195,117 | 75,314 |
| Total outgo | 21,607,412 | 16,301,910 | 15,179,896 | 15,235,678 |
| Change in fund balance | $ (557,996) | $ 1,600,715 | $ 930,674 | $ 753,266 |
| Ending fund balance | $ 5,076,283 | $ 5,634,279 | $ 4,033,564 | $ 3,102,890 |
| Available reserves | $ 644,209 | $ 476,956 | $ 465,036 | $ 446,320 |
| Designated for economic uncertainties | $ 644,904 | $ 476,956 | $ 465,036 | $ 446,320 |
| Undesignated fund balance | $ (695) | $ - | $ - | $ - |
| Available reserves as a percentage of total outgo | 3.0% | 3.0% | 3.1% | 3.0% |
| All Funds | | | | |
| Total long-term liabilities | $ 62,455,804 | $ 62,689,213 | $ 61,087,293 | $ 57,712,110 |
| Average daily attendance (excluding Charters) at P-2 | 1,726 | 1,113 | 1,151 | 1,199 |

The General Fund fund balance has increased by $3,284,655 over the past three fiscal years. The District projects a decrease of $557,996 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, 2018, the District has met this requirement.

The District has incurred operating surpluses in each of the past three years, and anticipates incurring an operating deficit during the 2018-2019 fiscal year.

Total long-term liabilities have increased by $4,977,103 over the past two years.

Average daily attendance has decreased by 86 over the past two years. The District anticipates an increase of 613 in ADA during the fiscal year ending June 30, 2019 due to the reorganization of E.V. Cain Middle School.

| Charter Schools Chartered by District | Included in District Financial Statements, or Separate Report |
|---|---|
| 1226 - E.V. Cain 21st Century S.T.E.M. Charter School* | Included in the Charter Schools Fund |
| 1429 - Alta Vista Community Charter School | Included in the Charter Schools Fund |

*Reorganized to a regular school at the end of fiscal year 2017-18

## 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 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, 2018.

| Description | CFDA Number | Amount |
|---|---|---|
| Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances | | $ 1,673,801 |
| Less: Medi-Cal Collaborative unspent funds | 93.778 | 51,528 |
| Total Schedule of Expenditure of Federal Awards | | $ 1,725,329 |

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)

**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 2018-2019 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, 2018, the District did not adopt such a program.

Crowe LLP
Independent Member Crowe Global

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 *2017-18 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, 2018.

| Description | Procedures Performed |
|---|---|
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| 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 |
| K-3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | Yes |
| Apprenticeship: Related and Supplemental Instruction | No, see below |
| Educator Effectiveness | Yes |
| California Clean Energy Jobs Act | Yes |
| After/Before 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 |
| Attendance, for charter schools | Yes |
| Mode of Instruction, for charter schools | Yes |
| Nonclassroom Based Instruction/Independent Study, for charter schools | No, see below |
| Determination of Funding for Nonclassroom Based 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'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 operate an Apprenticeship: Related and Supplemental Instruction Program; therefore, we did not perform any procedures related to the Apprenticeship: Related and Supplemental Instruction Program.

The District did not receive any funds from the After/Before School Education and Safety Program; therefore, we did not perform any procedures related to the After/Before 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'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 *2017-18 Guide for Annual Audits of K-12 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.

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.

(Continued)

***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, 2018.

**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 *2017-18 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 LLP
Crowe LLP

Sacramento, California
December 12, 2018

# 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, 2018, 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, 2018.

**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 2018-001.

(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 LLP

Crowe LLP

Sacramento, California
December 12, 2018

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 the 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 Auburn Union School District's major federal program for the year ended June 30, 2018. Auburn Union School District's major federal program is 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 statues, 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 Auburn Union School District's major federal program 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 the major federal program. However, our audit does not provide a legal determination of Auburn Union School District's compliance.

**Opinion on the 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 its major federal program for the year ended June 30, 2018.

(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 LLP

Crowe LLP

Sacramento, California
December 12, 2018

# FINDINGS AND RECOMMENDATIONS

## 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:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 10.555 | Child Nutrition Cluster |

| | | |
|---|---|---|
| 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)

## SECTION II - FINANCIAL STATEMENT FINDINGS

### 2018- 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

Auburn Elementary

- Deposits were not made on a timely basis.

Skyridge

- 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.

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:

- Deposits should be properly supported by detail schedules to substantiate the amounts collected.
- Deposits should be made on a timely basis.

Views of Responsible Officials and Planned Corrective Action

Auburn Union School District has decided to close ASB accounts at all elementary schools, including Auburn Elementary and Skyridge Elementary, at the end of 2018-19. During 2018-19, district office staff will work with school principals and school office staff to ensure proper business controls are followed.

(Continued)

## SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

## SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

# STATUS OF PRIOR YEAR

# FINDINGS AND RECOMMENDATIONS

| Finding/Recommendation | Current Status | District Explanation If Not Implemented |
|---|---|---|
| **2017-001** | Partially implemented. | See current year finding at 2018-001. |

**2017-001**

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 receipted and the unit price per item or class rosters supporting fieldtrip collections.

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.