



**PLUMAS LAKE
ELEMENTARY
SCHOOL DISTRICT**

**ANNUAL FINANCIAL
REPORT**

JUNE 30, 2016

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

OF YUBA COUNTY

PLUMAS LAKE, CALIFORNIA

JUNE 30, 2016

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Derek Bratton	President	December 2018
Michelle Perrault	Vice President	December 2016
Frankie Doig	Clerk	December 2016
David Villanueva	Member	December 2018
Craig Bommarito	Member	December 2016

ADMINISTRATION

Jeff Roberts, Ed. D.	Superintendent
Ajit Kang	Director of Business Services

ORGANIZATION

The Plumas Lake Elementary School District (“District”) was established in 1863 and comprises an area located in Yuba County. There were no changes to the boundaries of the District during the current year. The District operates two elementary schools and one intermediate school.

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PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Trustees
Plumas Lake Elementary School District
Plumas Lake, 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 Plumas Lake Elementary School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Plumas Lake Elementary 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, and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, § 19810, et seq. 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.

RT DENNIS
ACCOUNTANCY

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Plumas Lake Elementary School District, as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, and schedule of pension information on page 5 – 17 and 57 – 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Plumas Lake Elementary School District's basic financial statements. The accompanying supplementary information; the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), the Local Education Agency Organization Structure, the Schedule of Average Daily Attendance, the Schedule of Instructional Time, the Schedule of Financial Trends and Analysis, the Reconciliation of Annual Financial and Budget Report with Audited Financial Statements, the Schedule of Charter Schools, and the Note to Supplementary Information, as required by the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, § 19810, et seq; and the Combining Statements of Non-Major Governmental Funds are all presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Local Education Agency Organization Structure, the Schedule of Average Daily Attendance, the Schedule of Instructional Time, the Schedule of Financial Trends and Analysis, the Reconciliation of Annual Financial and Budget Report with Audited Financial Statements, the Schedule of Charter Schools, and the Note to Supplementary Information are all the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Local Education Agency Organization Structure, the Schedule of Average Daily Attendance, the Schedule of Instructional Time, the Schedule of Financial Trends and Analysis, the Reconciliation of Annual Financial and Budget Report with Audited Financial Statements, the Schedule of Charter Schools, and the Note to Supplementary Information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Expenditures of Federal Awards and the Combining Statements of Non-Major Governmental Funds 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 on our consideration of Plumas Lake Elementary 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 Plumas Lake Elementary School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "R. J. Dennis Accountancy". The signature is written in a cursive style with a large, decorative flourish underneath the name.

November 29, 2016



Plumas Lake Elementary School District

Each student will reach their fullest potential as we strive for district excellence through sound leadership, effective communication, accountability, and investment in our staff.

- *Cobblestone Elementary (K-5)*
- *Rio Del Oro Elementary (K-5)*
- *Riverside Meadows Intermediate (6-8)*

Dr. Jeff Roberts, Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of Plumas Lake Elementary School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was \$20.3 million at June 30, 2016. This was an increase of \$73 thousand over the prior net position.
- Overall expenses were \$13.5 million, which was less than revenues of \$13.6 million.
- The total cost of the District's programs were \$11.8 million
- The general fund reported an increase in fund balance this year of \$810,000, which include intentional one time expenditures:
 - Proposition 39, California Clean Renewable Energy Jobs Act projects in the amount of \$108,043
 - Transportation vehicles of in the amount of \$27,618
 - Mandated Claims Reimbursement/Common Core/Discretionary Funds in the amount of \$283,192
 - Solar project design and Department of State Architect fees in the amount of \$95,327
 - Network/technology upgrades in the amount of \$108,138

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section

This annual report consists of four parts—*management’s discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and *supplementary information*, which presents federal awards, state required schedules, and combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the District:

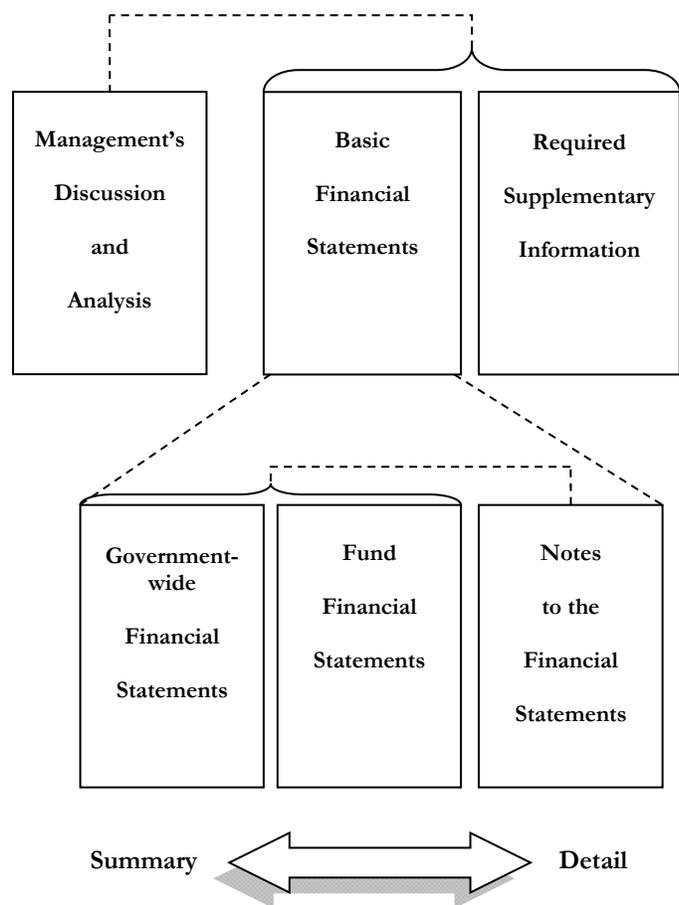
**Figure A-1
 Required Components of Plumas Lake Elementary School District’s Annual Financial Report**

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

– The *governmental funds* statements tell how *general government* services like (public safety, education, cemetery) were financed in the *short term* as well as what remains for future spending.

– *Fiduciary fund* statements provide information about the financial relationships—like the, ASB—in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question 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 year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



The figure above shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with additional federal and state required information, as well as a detail of the nonmajor funds.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2016

Major Features of Plumas Lake Elementary School District’s Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds	Fiduciary Fund
Scope	Entire District government (except fiduciary funds) and the District’s component units	The activities of the District that are not fiduciary, such as ASB.	Instances in which the District is the trustee or agent for someone else’s resources, such as the associated student body accounts.
Required financial statements	❖ Statement of net position ❖ Statement of activities	❖ Balance sheet ❖ Statement of revenues, expenditures, and changes in fund balances	❖ Statement of fiduciary net position
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, and 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; the District’s funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during 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 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 government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s *net position* and how it has changed. Net position—the difference between the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources—is one way to measure the District’s financial health, or *position*.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District’s property tax base and the condition of the District’s roads.

Governmental activities—Most of the District’s basic services are included here, such as the instruction, instruction related, student services, general administration, and other school district operations. Property taxes, state aid, and other state and federal grants finance most of these activities.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2016

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 that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has two kinds of funds:

- ❖ *Governmental funds*—Most of the District's basic services are included in governmental funds, which 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- ❖ *Fiduciary funds*—The District is the trustee, or *fiduciary*, for its Associated Student Body ("ASB") account. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2016

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District’s net position increased between fiscal years 2015 and 2016—by almost \$73 thousand. (See Table 1.)

Cash, primary current asset, stayed about the same. Overall, capital assets are down due, mostly, to depreciation. Deferred outflows of resources have increased and deferred inflows of resources are up as a result of the implementation of GASB 68. Long-term debt shows a slight decrease over the prior.

Table 1 - Net Position

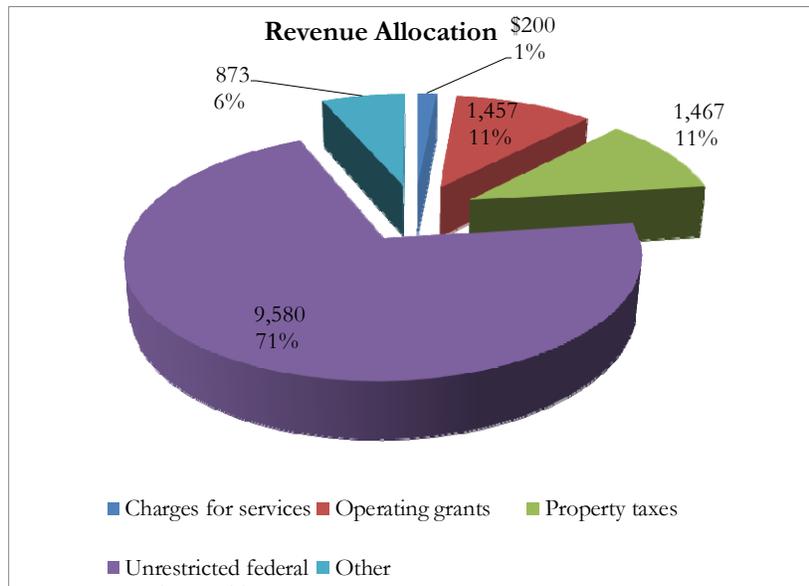
<i>(amounts in thousands)</i>	2016	2015	\$ Change	% Change
ASSETS				
Current assets	\$ 5,784	\$ 4,758	\$ 1,026	22%
Capital assets, net	40,174	41,486	(1,312)	-3%
Total Assets	45,958	46,244	(286)	-1%
DEFERRED OUTFLOWS OF RESOURCES				
	1,808	907	901	99%
LIABILITIES				
Current liabilities	953	1,086	(133)	-12%
Non-current liabilities	25,298	23,962	1,336	6%
Total Liabilities	26,251	25,048	1,203	5%
DEFERRED INFLOW OF RESOURCES				
	1,184	1,846	(662)	-36%
NET POSITION				
Net investment in capital assets	25,503	26,378	(875)	-3%
Restricted	530	435	95	22%
Deficit	(5,702)	(6,556)	854	-13%
Total Net Position	\$ 20,331	\$ 20,257	\$ 74	0%

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

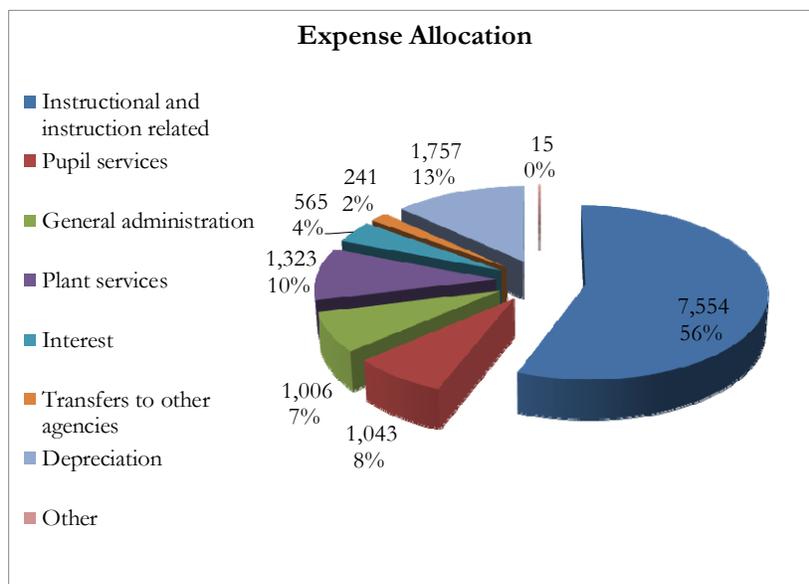
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2016

Changes in Net Position

The District’s total revenues increased by nineteen percent to \$13.6 million. (See Table 2.) Almost three-quarters of the District’s revenue comes from state aid, and eleven cents of every dollar raised comes from some type of grant. (See Revenue Allocation.) Another thirteen percent comes from property taxes, and the rest is from other local source.



The District’s expenses cover a range of services, with a little over half related to instruction and instruction related. (See Expense Allocation.)



PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2016

Governmental Activities

Table 2 - Changes in Net Position

<i>(amounts in thousands)</i>	2016	2015	\$ Change	% Change
REVENUES				
Program revenues				
Charges for services	\$ 200	\$ 199	\$ 1	1%
Operating grants	1,457	1,296	161	12%
General revenues				
Property taxes	1,467	1,419	48	3%
Unrestricted federal and state aid	9,580	8,024	1,556	19%
Other	873	502	371	74%
Total Revenues	13,577	11,440	2,137	19%
EXPENSES				
Instructional and instruction related	7,554	6,852	702	10%
Pupil services	1,043	1,002	41	4%
General administration	1,006	880	126	14%
Plant services	1,323	1,212	111	9%
Interest	565	762	(197)	-26%
Transfers to other agencies	241	295	(54)	-18%
Depreciation	1,757	1,741	16	1%
Other	15	12	3	25%
Total Expenses	13,504	12,756	748	20%
Excess / (Deficiency)	\$ 73	\$ (1,316)	\$ 1,389	106%

Revenues increased from the prior year by \$2.1 million. Actual revenues exceeded budget estimates by about \$563 thousand due to an increase in state revenue, federal and state nutrition reimbursements, food sales, developer fees, and local revenue.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2016

Table 3 presents the cost of each of the District’s four largest programs—instruction and instruction related, student services, plant services—and all others, as well as each program’s *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions.

- ❖ The total cost of all governmental activities this year was \$13.5 million.
- ❖ The net cost of all governmental activities this year was \$11.8 million.

Table 3 - Net Cost of Governmental Activities

<i>(amounts in thousands)</i>	Total Cost of Services		Net Cost of Services			
	2016	2015	2016	2015	\$ Change	% Change
Instruction	\$ 6,205	\$ 5,496	\$ 5,613	\$ 5,045	568	11%
Instruction related	1,349	1,356	1,256	1,288	(32)	-2%
Student services	1,043	1,002	388	373	15	4%
Plant services	1,323	1,212	1,173	1,182	(9)	-1%
Other	3,584	3,691	3,417	3,375	42	1%
Total	\$ 13,504	\$ 12,757	\$ 11,847	\$ 11,263	\$ 584	5%

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Financial Statement

As the District completed the year, its funds reported a *combined* fund balance of \$5.4 million, a significant increase over last year. Included in this year's total change in fund balance are one-time funds for Mandated Claims/Common Core/Discretionary funds, Proposition 39 and Educator Effectiveness funds. The District also saw an increase in developer fees, although still insufficient to fund the COP debt service payments. The Cafeteria fund also had a significant increase in revenue.

Table 4 - Funds' Performance

	Governmental Funds				
	(amounts in thousands)	2016	2015	\$ Change	% Change
REVENUES					
Local Control Funding Formula	\$	9,469	\$ 8,409	\$ 1,060	13%
Categorical		2,200	1,433	767	54%
Local		2,188	1,811	377	21%
Total Revenues		13,857	11,653	2,204	19%
EXPENDITURES / EXPENSES					
Certificated		4,900	4,434	466	11%
Classified		1,729	1,640	89	5%
Benefits		2,235	1,974	261	13%
Books and supplies		824	993	(169)	-17%
Services and other operating exp		1,401	1,147	254	22%
Capital outlay		444	231	213	92%
Other outgo		1,234	1,456	(222)	-15%
Total Expenditures		12,767	11,875	892	8%
Net financing activities		-	53	(53)	n/a
NET CHANGE IN					
FUND BALANCE	\$	1,090	\$ (169)	\$ 1,259	745%

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2016**

General Fund Budgetary Highlights

Over the course of the year, the School Board revised the District budget several times. These budget amendments fall into two categories:

- ❖ Amendments and supplemental appropriations approved in December (First Interim) to reflect the actual beginning account balances (correcting the estimated amounts in the budget adopted in June 2015).
- ❖ Changes made in the Second Interim to account for the mid-year staffing changes, adjustments to the technology budget due to the implementation of Common Core.

Even with these adjustments, actual expenditures were almost \$183,000 above final budget amounts. The most significant positive variance resulted from the District not budgeting for the STRS On-Behalf Contribution, E-Rate discounts, and design costs for the solar project, which were approved by the Board after Second Interim.

On the other hand, resources available for appropriation were almost \$564,000 above the final budgeted amount. As noted earlier:

- ❖ California Department of Education released new guidelines on E-Rate discounts. Guidelines were released after Second Interim and required districts to record the discount as both an expenditure and revenue.
- ❖ District did not budget for the STRS On-Behalf Contributions.

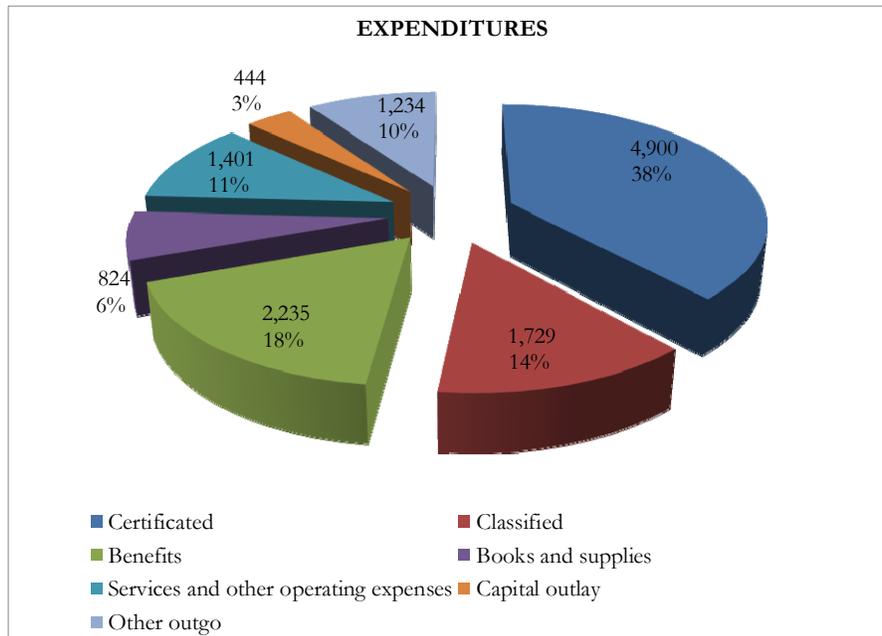
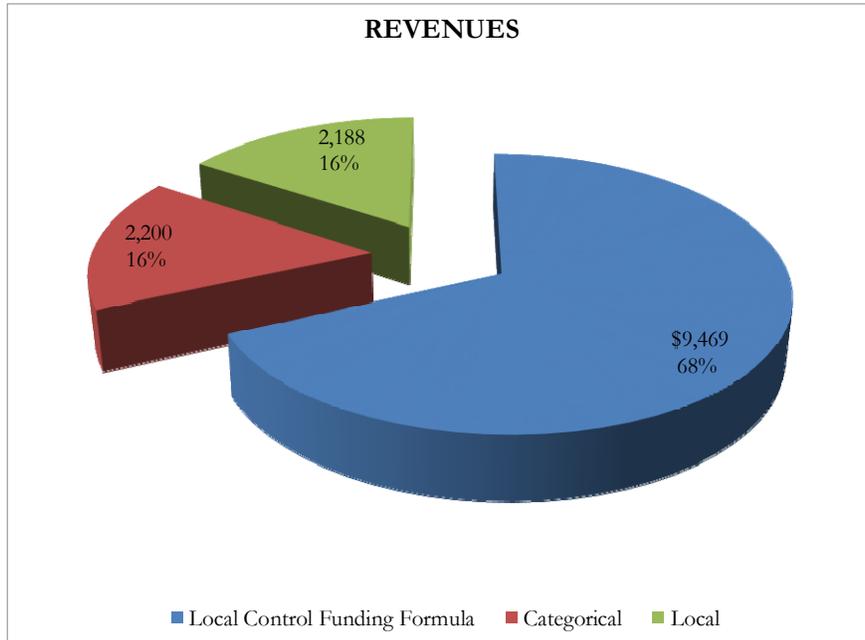
Table 5 - General Fund and Budget Performance

	General Fund Activity			General Fund Budget		
	2016	2015	% Difference	Original Budget	Final Budget	% Difference
<i>(amounts in thousands)</i>						
REVENUES						
Local Control Funding Formula	\$ 9,360	\$ 8,173	15%	\$ 8,967	\$ 9,285	4%
Categorical	1,848	1,102	68%	964	1,558	62%
Local	690	567	22%	442	492	11%
Total Revenues	11,898	9,842	21%	10,373	11,335	9%
EXPENDITURES						
Certificated	4,900	4,434	11%	4,801	4,914	2%
Classified	1,555	1,472	6%	1,593	1,584	-1%
Benefits	2,183	1,924	13%	1,931	1,934	0%
Supplies and services	1,795	1,769	1%	1,763	1,861	6%
Other	661	501	32%	496	619	25%
Total Expenditures	11,094	10,100	10%	10,584	10,912	3%
Net financing activities	6	-	N/A	(29)	8	-128%
NET CHANGE IN						
FUND BALANCE	\$ 810	\$ (258)	414%	\$ (240)	\$ 431	280%

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2016

The following represents a break out of revenue and expenditures by object code of all of the funds



PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2016**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested \$40.2 million (net of depreciation) in a broad range of capital assets, including buildings, building improvements, and equipment. (See Table 6.) This amount represents a net decrease (including additions) of \$1.3 million over last year.

Table 6 - District's Capital Assets

<i>(amounts in thousands)</i>	2016	2015	\$ Change	% Change
CAPITAL ASSETS				
Land and construction in progre	\$ 5,552	\$ 5,428	\$ 124	2%
Buildings and equipment	52,253	52,118	135	0%
Accumulated depreciation	(17,631)	(16,060)	(1,571)	10%
Total Capital Assets	\$ 40,174	\$ 41,486	\$ (1,312)	-3%

This year’s major capital asset additions included:

- ❖ Solar project - \$95,327
- ❖ Proposition 39 lighting project - \$213,414
- ❖ Transportation van \$27,618
- ❖ Network infrastructure upgrades - \$108,138

Long-Term Liabilities

At year-end the District had \$25.3 million in pension liabilities, bonds, and notes outstanding, a decrease of eight percent over last year—as shown in Table 7. More detailed information about the District’s long-term liabilities is presented in Note 8 to the financial statements.

Table 7 - District's Long Term Liabilities

<i>(amounts in thousands)</i>	2016	2015	\$ Change	% Change
Net pension liabilities	\$ 8,282	\$ 6,583	\$ 1,699	26%
Compensated absences	44	34	10	29%
Certificates of participation	9,715	9,910	(195)	-2%
Lease revenue bonds	4,956	5,198	(242)	-5%
Other long-term liabilities	2,673	2,673	-	0%
Less current portion	(372)	(437)	65	-15%
Total Long-term Liabilities	\$ 25,298	\$ 23,961	\$ 1,337	6%

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

- ❖ The district has experienced a growth in enrollment and expects growth in the budget year, which will have a positive impact as revenue will increase.
- ❖ State Teachers' Retirement (STRS) and Public Employees Retirement System (PERS) employer contributions increased in the budget year and will increase in subsequent years as rates increase.
- ❖ Due to the implementation of Common Core, the District will continue to invest dollars in technology and staff training.
- ❖ LCFF is close to full implementation therefore the District may only see COLA increases in the near future.
- ❖ The District has a significant fund balance and will be intentionally deficit spending in 2016-17, using Common Core/Disciplinary one-time funds, Educator Effectiveness Funds, and Prop 39 funds.
- ❖ The District will be adopting two Math programs in the budget year, using one-time funds for the purchase.

These indicators were taken into account when adopting the general fund budget for 2016-17.

Amounts available for appropriation in the general fund budget are \$11.4 million, a decrease of 4 percent over the final 2015-16 General fund budget of \$11.9 million. The District received a significant amount of one-time funds in 2015-16, that will be used for one-time expenditures in 2016-17.

Budgeted expenditures are expected to rise nearly 7 percent to \$11.9 million. The largest increments are increased wages, step and column increases, and employer contributions for health and welfare benefits, STRS, PERS, and workers' compensation based on agreements reached with the certificated and classified unions in 2016-17.

The District has added additional electives at the middle school (Spanish), art and music for grades K-5 and full-time PE teachers at the elementary for the 2016-17 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for money it receives. If you have any questions about this report, or need additional financial information, contact Dr. Jeff Roberts, Superintendent or Ajit Kang, Director of Business Services, 2743 Plumas School Road, Plumas Lake, CA 95961, (530) 743-4428.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental
	<i>(Amounts in thousands)</i> Activities
ASSETS	
Deposits and investments	\$ 5,436
Accrued receivables	342
Prepaid expenses	6
Capital assets, not depreciable	5,552
Capital assets, depreciable, net	34,622
Total Assets	45,958
DEFERRED OUTFLOWS OF RESOURCES	1,808
Total Assets and Deferred Outflows of Resources	\$ 47,766
LIABILITIES	
Accrued liabilities	\$ 561
Unearned revenue	20
Long-term obligations, current portion	372
Long-term obligations, net pension liability	25,298
Total Liabilities	26,251
DEFERRED INFLOWS OF RESOURCES	1,184
NET POSITION	
Net investment in capital assets	25,503
Restricted for	
Capital projects	303
Educational programs	227
Unrestricted - (Deficit)	(5,702)
Total Net Position	20,331
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 47,766

The accompanying notes are an integral part of these financial statements

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Instruction	\$ 6,205	\$ -	\$ 592	\$ (5,613)
Instruction-related services				
Instructional supervision and administration	305	-	76	(229)
Instructional library, media, and technology	179	-	6	(173)
School site administration	865	-	11	(854)
Pupil services				
Home-to-school transportation	193	-	-	(193)
Food services	520	146	384	10
All other pupil services	330	-	125	(205)
General administration				
Centralized data processing	137	-	-	(137)
All other general administration	869	10	67	(792)
Plant services	1,323	44	106	(1,173)
Ancillary services	15	-	-	(15)
Interest on long-term debt	565	-	-	(565)
Transfer to other agencies	241	-	90	(151)
Depreciation (unallocated)	1,757	-	-	(1,757)
Total Governmental Activities	\$ 13,504	\$ 200	\$ 1,457	(11,847)
General revenues				
Taxes and subventions				
				771
				696
				9,580
				28
				845
				11,920
				CHANGE IN NET POSITION
				73
				Net Position - Beginning
				20,258
				Net Position - Ending
				\$ 20,331

The accompanying notes are an integral part of these financial statements

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 3,941,956	\$ 887,702	\$ 606,231	\$ 5,435,889
Accrued receivables	293,435	-	49,085	342,520
Due from other funds	58,104	-	115,964	174,068
Prepaid expenditures	6,283	-	-	6,283
Total Assets	\$ 4,299,778	\$ 887,702	\$ 771,280	\$ 5,958,760
LIABILITIES				
Accrued liabilities	\$ 344,108	\$ -	\$ 18,336	\$ 362,444
Due to other funds	115,964	15,220	42,884	174,068
Unearned revenue	20,127	-	-	20,127
Total Liabilities	480,199	15,220	61,220	556,639
FUND BALANCES				
Non-spendable	11,383	-	500	11,883
Spendable				
Restricted	227,399	-	303,138	530,537
Committed	-	872,482	348,790	1,221,272
Assigned	1,877,027	-	57,632	1,934,659
Unassigned	1,703,770	-	-	1,703,770
Total Fund Balances	3,819,579	872,482	710,060	5,402,121
Total Liabilities and Fund Balances	\$ 4,299,778	\$ 887,702	\$ 771,280	\$ 5,958,760

The accompanying notes are an integral part of these financial statements

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

(\$ Amounts in thousands)

Total Fund Balance - Governmental Funds \$ 5,402

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

	Capital assets	\$ 57,804	
	Accumulated depreciation	(17,631)	40,173

Unamortized discount and refunding result:

In governmental funds, discounts and economic losses on refunding are not recognized in fund financial statements. In the governmental-wide statements, discounts and economic losses are amortized over the life of the debt. Unamortized discounts and economic losses included deferred outflows of resources on the statement of net position are:

331

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was:

(198)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

	Net pension liabilities	8,282	
	Compensated absences	44	
	Certificates of participation payable	9,715	
	Lease revenue bonds payable	4,956	
	Other long term debt	2,673	(25,670)

Deferred outflows and inflows of resources relating to pensions:

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

	Deferred outflows of resources	1,477
	Deferred inflows of resources	(1,184)

Total Net Position - Governmental Activities \$ 20,331

The accompanying notes are an integral part of these financial statements

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula ("LCFF") Sources	\$ 9,360,228	\$ -	\$ 108,341	\$ 9,468,569
Federal sources	391,557	-	327,666	719,223
Other State sources	1,456,528	-	23,823	1,480,351
Other local sources	690,311	698,356	799,288	2,187,955
Total Revenues	11,898,624	698,356	1,259,118	13,856,098
EXPENDITURES				
Current				
Instruction	6,323,214	-	-	6,323,214
Instruction-related services				
Instructional supervision and administration	309,562	-	-	309,562
Instructional library, media, and technology	181,955	-	-	181,955
School site administration	877,399	-	-	877,399
Pupil services				
Home-to-school transportation	220,715	-	-	220,715
Food services	-	-	521,351	521,351
All other pupil services	333,821	-	-	333,821
General administration				
Centralized data processing	245,599	-	-	245,599
All other general administration	761,201	-	110,860	872,061
Plant services	1,275,576	-	47,994	1,323,570
Ancillary services	15,437	-	-	15,437
Transfers to other agencies	240,946	-	-	240,946
Facilities acquisition and construction	308,741	-	-	308,741
Debt service				
Interest and other	-	190,388	365,800	556,188
Principal	-	242,000	195,000	437,000
Total Expenditures	11,094,166	432,388	1,241,005	12,767,559
Excess (Deficiency) of Revenues				
Over Expenditures	804,458	265,968	18,113	1,088,539
OTHER FINANCING SOURCES (USES)				
Transfers In	15,220	-	179,271	194,491
Transfers Out	(9,271)	(185,220)	-	(194,491)
Net Financing Sources (Uses)	5,949	(185,220)	179,271	-
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	3,009,172	791,734	512,676	4,313,582
Fund Balance - Ending	\$ 3,819,579	\$ 872,482	\$ 710,060	\$ 5,402,121

The accompanying notes are an integral part of these financial statements

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Governmental Funds (*Amounts in thousands*) \$ 1,089

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	443	
Depreciation expense:	(1,757)	(1,314)

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

437

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES,
Continued
FOR THE YEAR ENDED JUNE 30, 2016**

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

6

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

(10)

Amortization of debt issue premium or discount or deferred result from debt refunding:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt.

Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:

(14)

Pensions:

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

(121)

Change in net position of Governmental Activities

\$

73

The accompanying notes are an integral part of these financial statements

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>ASB Agency Funds</u>	
ASSETS		
Deposits and investments	\$	33,472
LIABILITIES		
Due to student groups:		
Riverside	\$	15,673
Rio Del Oro		11,714
Cobblestone		6,085
Total Liabilities	\$	33,472

The accompanying notes are an integral part of these financial statements

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 - A. Financial Reporting Entity

The Plumas Lake Elementary School District (“District”), also generically known as a Local Educational Agency (“LEA”), was established in 1863, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K – 8 as mandated by the State and/or Federal agencies. The District operates two K through fifth grade schools and one middle school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Plumas Lake Elementary School District, this includes general operations, food service, and student related activities of the District.

1 - B. Blended Component Unit

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Plumas Lake Elementary School District 2016 Lease Financing Corporation (the “Corporation”) is a nonprofit, public benefit corporation, incorporated under the laws of the State of California. The Corporation was formed to provide financing assistance to the District for the construction and acquisition of major capital facilities. Upon completion of the subject transactions, the District intends to occupy the Corporation's facilities under a lease, purchase agreement effective through the year 2044. At the end of the lease term, title of the Corporation's property will pass to the District for no additional consideration. The financial activity for the Corporation is presented in the financial statements as the part of the Capital Facilities Fund.

The District has determined that Community Facilities District No. 1 and No. 2 meet the criteria as a component unit and therefore are presented in the Districts general-purpose financial statements. The Community Facilities Districts were established to issue Mello-Roos Bonds as described in Note 8 - B. The District is not aware of any other entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity. The Community Facilities District is reported as Funds 49 and 52 and does not issue separate financial statements.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

1 - C. Other Related Entities

Joint Powers Authority (JPA). The District is associated with three JPAs. These organizations do not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 12 to the financial statements. These organizations are, Tri-County Schools Insurance Group (TCSIG), North Valley Schools Insurance Group (NVSIG), and Schools Excess Liability Fund (SELF)

1 - D. Basis of Presentation

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

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

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

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

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

Major Governmental Funds

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

Debt Service Fund for Blended Component Units. This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principles (GAAP). The Mello-Roos Community Facilities Act of 1982 (Government Code Section 53311 et seq.) allows any county, city, special district, school district, or joint powers authority to establish, upon approval of two-thirds of the voters in the district, a "Community Facilities District" (CFD) for the purpose of selling tax-exempt bonds to finance public improvements and services.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2016

Non-Major Governmental Funds

Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund:

Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program (Education Code sections 38090–38093). The Cafeteria Special Revenue Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (Education Code sections 38091 and 38100).

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

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

Capital Facilities Fund. This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (Education Code sections 17620–17626). The authority for these levies may be county/city ordinances (Government Code sections 65970–65981) or private agreements between the LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (Government Code Section 66006).

Capital Project Fund for Blended Component Units. This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principles (GAAP). The Mello-Roos Community Facilities Act of 1982 (*Government Code* Section 53311 et seq.) allows any county, city, special district, school district, or joint powers authority to establish, upon approval of two-thirds of the voters in the district, a "Community Facilities District" (CFD) for the purpose of selling tax-exempt bonds to finance public improvements and services.

Fiduciary Funds

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

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

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2016

1 - E. Basis of Accounting

Government-Wide and Fiduciary Financial Statements

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

Net Position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Revenue limits, property taxes, and grant awards are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange and Non-Exchange Transactions

The Local Control Funding Formula (“LCFF”) and other state apportionments are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. When the annual calculation of the LCFF is made and the District's actual tax receipts, as reported by the county auditor, is subtracted the result determines the annual state aid to which the LEA is entitled. If the difference between the calculated annual state aid and the state aid received on the second principal apportionment is positive a receivable is recorded, and if it is negative a payable is recorded.

The District recognizes property tax revenues actually received as reported on California Department of Education (“CDE”)’s Principal Apportionment Data Collection Software, used by county offices of education and county auditors to report school district and county taxes. The District makes no accrual for property taxes receivable as of June 30.

The District receives grant awards that are "reimbursement type" or "expenditure driven." The eligibility requirements of these awards have not been met until the LEA has made the required expenditures of the grant within the time period specified by the grantor. Revenue is recognized in the period in which the qualifying expenditures are made. Cash received but unspent at the end of the fiscal period is booked as a liability, and revenue is reduced to the amount that has been expended.

The District also receives funds for which they have fulfilled specific eligibility requirements or have provided a particular service. Once the LEAs have provided these services, they have earned the revenue provided. Any unspent money may be carried to the next year to be expended for the same restricted purposes. Revenue is recognized in the period that the service is provided, and any carryover becomes a part of the LEA's ending fund balance.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2016

Unearned Revenue

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

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Interfund Activity

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

1 - F. Assets, Liabilities, and Net Position

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the county treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2016, based on market process. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund. The District considers these balances to be cash on hand and demand deposits. In addition, because the Cash in County is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The District maintains a capitalization threshold of \$20,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized. Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	31
Site Improvements	20 – 30
Equipment	5 – 10

Interfund Balances

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of the liability is not reported separately.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Pensions

For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the CA State Teachers Retirement System ("STRS") and CA Public Employee Retirement System Pension Plan ("PERS") and additions to/deductions from the respective fiduciary net positions have been determined on the same basis as they are reported by STRS and PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Premiums and Discounts

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

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

Fund Balance

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

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

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

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

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

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

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

Net Position

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2016. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The district-wide financial statements reported \$530,537 of restricted net position.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2016

Estimates

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

Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

1 - G. New Accounting Pronouncements

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

In March 2016, the GASB issued Statement No. 82, *Pension Issues, An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

NOTE 2 – DEPOSITS AND INVESTMENTS

2 - A. Summary of Deposits and Investments

	Governmental Activities	Fiduciary Funds	Total
Deposits in financial institutions	\$ 5,600	\$ 33,472	\$ 39,072
Cash in County	5,274,339	-	5,274,339
Cash with fiscal agent	155,950	-	155,950
Total	\$ 5,435,889	\$ 33,472	\$ 5,469,361

2 - B. Policies and Practices

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

Investment in County Treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

2 - C. General Authorizations

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

INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM SPECIFIED% OF PORTFOLIO	MINIMUM QUALITY REQUIREMENTS
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations— CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%E	None
Commercial Paper— Select Agencies	270 days	25% of the agency's money	"A-1" to "A"
Commercial Paper— Other Agencies	270 days	40% of the agency's money	"A-1" to "A"
Negotiable Certificates of Deposit	5 years	30%	None
Placement Service Deposits	5 years	30%	None
Placement Service Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	"A"
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	"A"
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None

2 - D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool. See "Specific Identification" for various maturities of the District's investments.

2 - E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The underlying investments owned by the district are listed in "Specific Identification."

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

2 - F. Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation are provided by the following schedule that shows the distribution of the District's investments by maturity:

<u>Investment Type:</u>	<u>S & P Rating</u>	<u>Maturity (Days)</u>	<u>Reported Value</u>	<u>Fair Market Value</u>
Cash in county	A - AAA	456 (average)	\$ 5,274,339	\$ 5,270,926
Money market mutual fund	NR	1	155,950	155,950
Total			\$ 5,430,289	\$ 5,426,876

Copies of the quarterly investment report, with the exact investment makeup of the District's cash in county pool may be obtained from the Yuba County Treasurer's office.

2 - G. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance of \$40,332 was insured.

NOTE 3 – ACCRUED RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
Federal Government			
Categorical aid	\$ 140,911	\$ 37,811	\$ 178,722
State Government			
Categorical aid	69,145	3,065	72,210
Local categorical	83,379	-	83,379
Other local sources	-	8,209	8,209
Total	\$ 293,435	\$ 49,085	342,520

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2016

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance			Balance		
<i>(Amounts in thousands)</i>	July 01, 2015	Additions	Deductions	June 30, 2016		
Capital assets not being depreciated						
Land	\$ 5,411	\$ -	\$ -	\$ 5,411		
Construction in progress	17	124	-	141		
Non-Depreciable Capital Assets	\$ 5,428	\$ 124	\$ -	\$ 5,552		
Capital assets being depreciated						
Land improvements	\$ 75	\$ 64	\$ -	\$ 139		
Buildings & improvements	50,967	121	-	51,088		
Furniture & equipment	1,076	136	186	1,026		
Total Capital Assets Being Depreciated	52,118	321	186	52,253		
Less Accumulated Depreciation						
Land improvements	25	4		29		
Buildings & improvements	15,497	1,705		17,202		
Furniture & equipment	538	48	186	400		
Total Accumulated Depreciation	16,060	1,757	186	17,631		
Depreciable Capital Assets, net	\$ 36,058	\$ (1,436)	\$ -	\$ 34,622		
Total Capital Assets, net	\$ 41,486	\$ (1,312)	\$ -	\$ 40,174		

NOTE 5 – INTERFUND TRANSACTIONS

5 - A. Interfund Receivables/Payables (Due From/Due To)

Due To Other Funds	Due From Other Funds		
	Non-Major Governmental		Total
	General Fund	Funds	
General Fund	\$ -	\$ 115,964	\$ 115,964
Debt Service Fund for Blended Component Units	15,220	-	15,220
Non-Major Funds	42,884	-	42,884
Total Due From Other Funds	\$ 58,104	\$ 115,964	\$ 174,068

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

Cafeteria Fund owes the General Fund for prior year expenditures as well as indirect costs in the amount of	\$ 24,875
Capital Facilities Fund owes the General Fund for administrative fees in the amount of	18,009
Debt Service for Blended Component Units Fund owes the General Fund for CFD administrative fees in the amount of	15,220
General Fund owes the Cafeteria Fund for operational support and various catering charges in the amount of	2,687
General Fund owes the Deferred Maintenance Fund for LCFF deferred maintenance transfer	108,341
General Fund owes the Capital Facilities Fund for DCA fees	4,936
Total	\$ 174,068

5 - B. Operating Transfers

<u>Transfer To Other Funds</u>	<u>Interfund Transfers In</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 9,271	\$ 9,271
Debt Service Fund for Blended Component Units	15,220	170,000	185,220
Total Interfund Transfers Out	\$ 15,220	\$ 179,271	\$ 194,491

The Debt Service Fund for Blended Component Units transferred to the General Fund for administrative costs in the amount of	\$ 15,220
The Debt Service Fund for Blended Component Units transferred to the Capital Facilities Fund for COP debt service payment in the amount of	170,000
The General Fund transferred to the Cafeteria Fund for annual support in the amount of	9,271
Total	\$ 194,491

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016, consisted of the following:

	General Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 190,106	\$ -	\$ -	\$ 190,106
LCFF State aid	31,125	-	-	31,125
Vendors payable	50,372	157	-	50,529
Solar project	-	18,179	-	18,179
Interest payable	-	-	198,396	198,396
Yuba County Office of Education ("COE")	58,936	-	-	58,936
Other payables	13,569	-	-	13,569
Total	\$ 344,108	\$ 18,336	\$ 198,396	\$ 560,840

NOTE 7 – UNEARNED REVENUE

The District periodically will receive grant money prior to making expenditures for that grant. The source of that grant money is listed below by fund. The unearned revenue totals at June 30, 2016, consist of the following:

	General Fund
Federal sources	\$ 12,240
State categorical sources	7,887
Total	\$ 20,127

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT

8 - A. Long-Term Debt Summary

<i>(Amounts in thousands)</i>	Balance			Balance	Balance Due
	July 01, 2015	Additions	Deductions	June 30, 2016	In One Year
Mello Roos Special Tax Bonds	\$ 5,198	\$ -	\$ 242	\$ 4,956	\$ 172
Certificates of Participation (COPs)	9,910	-	195	9,715	200
Net pension liabilities ("NPL")					
Cal STRS	5,100	2,699	1,463	6,336	-
Cal PERS	1,484	1,067	605	1,946	-
Total net pension liabilities	6,584	3,766	2,068	8,282	-
Compensated absences	34	10	-	44	-
Plumas Lake Owners Group	2,673	-	-	2,673	-
Total	\$ 24,399	\$ 3,776	\$ 2,505	\$ 25,670	\$ 372

8 - B. Mello Roos Special Tax Bonded Debt

In 2005, the voter of the District’s Community Facilities District (“CFD”) No. 1 authorized the issuance of \$17,500,000 of Special Tax Bonds. These bonds are payable through Mello Roos special taxes levied in Community Facilities District No. 1, and are not secured by the District’s General Fund.

In fiscal year 2005/2006, the first series of bonds, Series 2005 Bonds, were issued in the aggregate principal amount of \$4,900,000 maturing through August 2035, and having interest rates of between 4% to 4.75%. The Series 2005 Bonds were issued to payback a portion of the development of the Rio Del Oro Elementary School to the Plumas Lakes Owners Group.

On or about December 3, 2014 the CFD No. 1 refinanced these special tax bonds. The difference in cash flow requirements between these two issues is a reduction of \$733,656. This resulted in a deferred inflows of resources in the amount of \$6,000 which will be amortized over the life of the bonds.

In 2006, the voter of the District’s Community Facilities District No. 2 authorized the issuance of \$100,000,000 of Special Tax Bonds. These bonds are payable through Mello Roos special taxes levied in Community Facilities District No. 2, and are not secured by the District’s General Fund.

In fiscal year 2006/2007, the first series of bonds, Series 2007 Bonds, were issued in the aggregate principal amount of \$1,275,000 maturing through August 2037, and having an interest rate of 5.625%. The Series 2007 Bonds were issued to finance the construction cost of Cobblestone Elementary School.

On or about December 3, 2014 the CFD No.2 refinanced these special tax bonds. The difference in cash flow requirements between these two issues is a reduction of \$369,231. This resulted in a deferred outflows of resources in the amount of \$59,000 which will be amortized over the life of the bonds.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

The annual requirements to amortize the Mellos Roos Special Tax bonds payable outstanding as of June 30, 2016, are as follows:

Issue Date	Maturity Date	Interest Rate	Bonds			Bonds
			Original Issue	Outstanding June 30, 2015	Redeemed	Outstanding June 30, 2016
2015	2036	3.75%	4,009	4,009	188	3,821
2015	2036	3.75%	1,189	1,189	54	1,135
			\$ 5,198	\$ 5,198	\$ 242	\$ 4,956

8 - C. Debt Service Requirements to Maturity – Mello Roos Special Tax Bonds

The bonds mature through 2036 as follows:

Community Facilities District (CFD) No. 1 (Refunding)			
Year Ending June 30,	Principal	Interest	Total
2017	\$ 134	\$ 141	\$ 275
2018	138	136	275
2019	143	130	274
2020	147	125	273
2021	156	119	272
2022 - 2026	859	503	1,362
2027 - 2031	1,033	326	1,359
2032 - 2036	1,211	117	1,328
Total	\$ 3,821	\$ 1,597	\$ 5,418

Community Facilities District (CFD) No. 2 (Refunding)			
Year Ending June 30,	Principal	Interest	Total
2017	\$ 38	\$ 42	\$ 80
2018	43	40	83
2019	42	39	81
2020	42	37	79
2021	47	35	82
2022 - 2026	253	150	403
2027 - 2031	302	98	400
2032 - 2036	368	35	403
Total	\$ 1,135	\$ 476	\$ 1,611

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

8 - D. Certificates of Participation (“COP”s)

On June 1, 2007, the Plumas Elementary School District entered into an agreement with the Public Property Financing Corporation of California (the Corporation) to issue the 2007 COPs in the amount of \$7,205,000 for the construction of Cobblestone Elementary School. The District entered into an agreement with the Corporation to make base rental payments to the Corporation to service the debt of the COPs.

On or about November 15, 2012 the Corporation refinanced these COPs. The difference in cash flow requirements between these two issues is a reduction of \$1,731,835. This resulted in a deferred outflow of resources of \$129,441 which will be amortized over the life of the bonds. As previously stated, a BAN was refunded into a COP; as well as financing an additional \$850,000. The difference in cash flow requirements between these two issues is an additional \$4,284,917.

The annual requirements to amortize the bonds payable outstanding as of June 30, 2016, are as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds Outstanding June 30, 2016
				Outstanding June 30, 2015	Redeemed	
2013	2043	3.00% to 4.50%	\$ 3,705	\$ 3,705	\$ -	\$ 3,705
2013	2038	3.00% to 4.00%	6,205	6,205	195	6,010
			<u>\$ 9,910</u>	<u>\$ 9,910</u>	<u>\$ 195</u>	<u>\$ 9,715</u>

8 - E. Debt Service Requirements to Maturity – COPs

The bonds mature through 2043 as follows:

Year Ending June 30,	Certificates of Participation Series 2012		
	Principal	Interest	Total
2017	\$ -	\$ 152	\$ 152
2018	-	152	152
2019	95	151	246
2020	95	148	243
2021	100	145	245
2022 - 2026	535	670	1,205
2027 - 2031	650	556	1,206
2032 - 2036	-	407	407
2037 - 2041	980	216	1,196
2042 - 2043	1,250	21	1,271
Total	\$ 3,705	\$ 2,618	\$ 6,323

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

In fiscal year 2007/2008, the second series of bonds, Series 2007 Bonds, were issued in the aggregate principal amount of \$2,525,000 maturing through August 2012, and having an interest rate of 5%. The Series 2007 Bonds were issued to finance a portion of construction costs. However, on or about July 15, 2012, the District refinanced these BANs into Certificates of Participation (COPs) and financed an additional \$850,000 for a land purchase for a future high school site (the District's purchase of land was an agreement with Wheatland Union High School District as a matter of settlement between the two districts regarding some prior collections of excess developer fees). See COP note for additional details.

Year Ending June 30,	Certificates of Participation Series 2007 Refunding		
	Principal	Interest	Total
2017	\$ 200	\$ 208	\$ 408
2018	210	212	422
2019	210	195	405
2020	220	189	409
2021	230	182	412
2022 - 2026	1,245	802	2,047
2027 - 2031	1,475	577	2,052
2032 - 2036	-	271	271
2037 - 2038	2,220	10	2,230
Total	\$ 6,010	\$ 2,646	\$ 8,656

8 - F. Pension Liabilities

The District's pension activities between the District and the retirement systems for the year ended June 30, 2016, resulted in a net pension obligation of \$8,281,768. See Note 10 for additional information regarding the pension plans and activities.

8 - G. Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2016, amounted to \$43,894.

8 - H. Plumas Lake Owner's Group

The District's development of the Rio Del Oro Elementary School was funded in part by the Plumas Lake Owners Group (PLOG). Upon completion of the school site, the District acquired a liability in the amount of \$7,014,232. The payment terms of the liability are that the District makes payments if there is adequate cash flow in the Capital Facilities Fund from developer fees. This liability is non-interest bearing. The District did not make any payments during the 2015-16 year. The outstanding liability at June 30, 2016 is \$2,673,407.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

NOTE 9 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Debt Service for Blended Component Unit Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Non-restricted				
Reserve for revolving cash	\$ 5,100	\$ -	\$ 500	\$ 5,600
Reserve for prepaid expenditures	6,283	-	-	6,283
Total Non-spendable	11,383	-	500	11,883
Spendable				
Restricted				
Educational programs				
State	224,788	-	-	224,788
Local	2,611	-	-	2,611
Capital projects for development	-	-	303,138	303,138
Total Restricted	227,399	-	303,138	530,537
Committed				
Deferred maintenance	-	-	348,790	348,790
COP / CFD debt service	-	872,482	-	872,482
Total Committed	-	872,482	348,790	1,221,272
Assigned				
Debt service	407,863	-	-	407,863
Mandated cost	324,564	-	-	324,564
Education projects	992,600	-	-	992,600
Future vehicle project	152,000	-	-	152,000
Food service	-	-	57,524	57,524
Capital projects	-	-	108	108
Total Assigned	1,877,027	-	57,632	1,934,659
Unassigned				
Reserve for economic uncertainties	650,046	-	-	650,046
Unassigned	1,053,724	-	-	1,053,724
Total Unassigned	1,703,770	-	-	1,703,770
Total	\$ 3,819,579	\$ 872,482	\$ 710,060	\$ 5,402,121

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

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016**

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS

10 - A. General Information about California State Teachers’ Retirement System (“CalSTRS”)

10 - A.I Plan description. Employees – with a credential, certificate or permit, or meet the minimum standards adopted by the Board of Governors of the California Community Colleges – of the California public school system (prekindergarten through community college) are provided pensions through the State Teachers’ Retirement Plan (“STRP”). STRP is a multiple-employer, cost-sharing defined benefit plan comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. In addition, the state is both an employer and nonemployer contributing entity to the STRP. STRP issues a publicly available financial report as a part of the Cal STRS CAFR, see **10 - A.IV(4)**.

10 - A.II Plan Benefits. 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.

10 - A.III Plan Contribution:

		<u>FY 2015-16 Rate</u>	<u>Ultimate Rate</u>
EC § 22901 & § 22901.7	Members	8.56% / 9.20 %	9.205% /10.25%
EC §22950 & § 22951	Employers	8.25%	8.25%
EC § 22950.5(a)	Employers – Supplemental ¹	2.48%	10.85%
EC § 22955.1(a)	State ²	2.017%	2.017%
EC § 22955.1(b)	State – Supplemental	2.874%	4.311%

¹Graded increases per schedule defined in the Education Code. The ultimate contribution will vary depending on the funded status. For purposes of this exhibit, it is assumed the ultimate rate specified in the graded schedule will not change in the future.

² The State’s contribution of 2.017% is paid quarterly based on second prior fiscal year salaries.

10 - A.IV Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalSTRS

At June 30, 2016, 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	\$	6,336
State's proportionate share of the net pension liability associated with the District		2,192
Total	\$	8,528

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's proportionate share of total CalSTRS calculated employer contributions, including the State. At June 30, 2015, the District's proportion was 0.009%.

For the year ended June 30, 2016, the District recognized pension expense of \$646,000 and revenue of \$278,854 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<i>(Amounts in thousands)</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and the actual experience	\$ -	\$ 106
Net difference between projected and actual earnings on pension plan investments	-	516
Changes in proportion and differences between District contributions and proportionate share of contributions	343	16
District contributions subsequent to the measurement date	511	-
Total	\$ 854	\$ 638

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (*\$ amounts in thousands*):

Year ending June 30, 2017	\$ 568	\$ 98
2018	58	98
2019	57	98
2020	57	98
2021 - 2022	114	246
Total	\$ 854	\$ 638

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

10 - A.IV(1) Actuarial assumptions. The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment rate of return	7.60 %, net of investment expenses, but gross of administrative expenses. CalSTRS uses a 7.50 % assumed investment rate of return for funding purposes, which is net of administrative expenses.
Consumer price inflation	3.00%
Wage growth	3.75%
Post-retirement benefit increases	2.00% simple for DB (Annually) Maintain 85% purchasing power level for DB Not applicable for DBS/CBB

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-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 Rate of Return ¹
Global Equity	47%	4.50 %
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash/Liquidity	1	0.00
Total	100.0 %	

¹10-year geometric average

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

10 - A.IV(2) Discount rate. The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

10 - A.IV(3) Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate (*\$ amounts in thousands*):

	Discount Rates		
	-1% (6.60%)	(7.60%)	+1% (8.60%)
Plan's net pension liability	\$ 9,567	\$ 6,336	\$ 3,651

10 - A.IV(4) Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS CAFR at <http://www.calstrs.com/comprehensive-annual-financial-report>.

10 - B. General Information about California Public Employees’ Retirement System (“CalPERS”)

10 - B.I Plan description. Non-teaching and non-certified employees are provided with pensions through Public Employees’ Retirement Fund B (“PERF B”) – a cost-sharing multiple-employer plan of school employers. PERF B issues a publicly available financial report as a part of the Cal PERS CAFR, see **10 - B.IV(4)**.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

10 - B.II Benefits provided. The Service Retirement benefit calculated for service earned by this group of employees is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation, where:

- ❖ The *benefit factor* for this group of employees comes from the 2% at 55 benefit factor table. New PEPRA members hired on or after January 1, 2013 are subject to the 2% at 62 benefit factor table. The factor depends on the member's age at retirement, see the actuary report for specific benefit factor.
- ❖ The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer's contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance. Any unused sick leave accumulated at the time of retirement will be converted to credited service at the rate of 0.004 years of service for each day of sick leave.
- ❖ The *final compensation* is the monthly average of the member's highest 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). For new PEPRA members hired after January 1, 2013 final compensation is based on the monthly average of the member's highest 36 consecutive months' full-time equivalent monthly pay. PEPRA members have a cap on the annual salary that can be used to calculate final compensation for all new members based on the Social Security Contribution and Benefit Base. For employees that participate in Social Security this cap is \$113,700 for 2013 and for those employees that do not participate in social security the cap for 2013 is \$136,440, the equivalent of 120% of the 2013 Contribution and Benefit Base. Adjustments to the caps are permitted annually based on changes to the CPI for All Urban Consumers.

10 - B.III Contributions. § 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the active employee contribution rate for "classic" is 7% of annual pay and for "PEPRA" is 6% of annual pay. The employer's contribution rate is 11.847% of annual payroll. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

10 - B.IV Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalPERS

At June 30, 2016, the District reported a liability of \$1,945,693 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.013%. For the year ended June 30, 2016, the District recognized pension expense of \$167,345. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

<i>(Amounts in thousands)</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 111	\$ -
Changes in assumptions	-	120
Net difference between projected and actual earnings on pension plan investments	320	386
Changes in proportion and differences between District contributions and proportionate share of contributions	11	40
District contributions subsequent to the measurement date	182	-
Total	\$ 624	\$ 546

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows *(amounts in thousands)*:

Year ending June 30, 2017	\$ 304	\$ 191
2018	122	189
2019	118	166
2020	80	-
Total	\$ 624	\$ 546

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

10 - B.IV(1) Actuarial assumptions. The total pension liability/(asset) was determined by actuarial valuations as of June 30 in various years, by fund, which were rolled forward to June 30 of the next year, using the following actuarial assumptions, applied to all periods of measurement:

Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	2.00% until Purchasing Power Protection allowance Floor on Purchasing Power applies, 2.75% thereafter

¹ 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 April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011).

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

10 - B.IV(2) The table on the next page reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10¹	Real Return Years 11+²
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
	<u>100%</u>		

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

10 - B.IV(3) Discount Rate. The discount rate used to measure the total pension liability was 7.65%. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

10 - B.IV(4) Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 %, 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 in the following table:

	Discount Rates		
	-1% (6.65%)	(7.65%)	+1% (8.65%)
Plan's net pension liability \$	3,167	\$ 1,946	\$ 930

10 - B.IV(5) Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS CAFR at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2015.pdf>

NOTE 11 – COMMITMENTS AND CONTINGENCIES

11 - A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

11 - B. Operating Leases

As of June 30, 2016, the District has entered into an operating lease for copiers with a term in excess of one year.

Future minimum lease payments under the agreement are as follows:

Fiscal Year	Lease Payments
2017	\$ 3,998
2018	3,998
Total Payments	\$ 7,996

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of three joint powers authorities (JPAs). The first is the Tri-County Schools Insurance Group (TCSIG) to provide health, dental, vision, and life insurance, to the District's certificated and classified employees. Additionally, TCSIG provides property and liability insurance up to \$5,000,000. The second is the School Excess Liability Fund (SELF) to provide liability and property insurance in excess of \$5,000,000. The third is the North Valley Schools Insurance Group (NVSIG) to provide workers' compensation insurance. The relationships are such that the JPAs are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these financial statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2016, the District made payments of \$3,636, \$1,414,530, and \$164,829, to SELF, TCSIG, and NVSIG, respectively.

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REQUIRED SUPPLEMENTARY INFORMATION

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PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variances -
	Original	Final	Actual	Positive /
				(Negative)
				Final to
				Actual
REVENUES				
Local Control Funding Formula ("LCFF") Sources				
State aid	\$ 8,376,024	\$ 8,653,968	\$ 8,697,310	\$ 43,342
Local sources	696,786	740,134	771,259	31,125
Transfers	(106,112)	(108,879)	(108,341)	538
Federal sources	356,598	389,180	391,557	2,377
Other State sources	607,190	1,168,407	1,456,528	288,121
Other local sources	442,175	492,106	690,311	198,205
Total Revenues	10,372,661	11,334,916	11,898,624	563,708
EXPENDITURES				
Certificated salaries	4,800,913	4,913,784	4,899,839	13,945
Classified salaries	1,593,035	1,583,724	1,555,206	28,518
Employee benefits	1,930,757	1,933,749	2,182,959	(249,210)
Books and supplies	510,205	567,095	522,021	45,074
Services and other operating expenditures	1,252,596	1,293,946	1,273,434	20,512
Capital outlay	202,558	326,504	444,497	(117,993)
Other outgo				
Excluding transfers of indirect costs	318,015	318,015	240,946	77,069
Transfers of indirect costs	(24,814)	(25,459)	(24,736)	(723)
Total Expenditures	10,583,265	10,911,358	11,094,166	(182,808)
Excess (Deficiency) of Revenues				
Over Expenditures	(210,604)	423,558	804,458	380,900
Other Financing Sources (Uses):				
Transfers In	23,000	23,000	15,220	(7,780)
Transfers Out	(51,746)	(14,728)	(9,271)	5,457
Net Financing Sources (Uses)	(28,746)	8,272	5,949	(2,323)
NET CHANGE IN FUND BALANCE	(239,350)	431,830	810,407	378,577
Fund Balance - Beginning	3,009,172	3,009,172	3,009,172	
Fund Balance - Ending	\$ 2,769,822	\$ 3,441,002	\$ 3,819,579	\$ 378,577

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF PENSION INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Cal STRS	<i>(\$ Amounts in thousands)</i>	2016	2015
Schedule of District's proportionate share of the net pension liability			
District's proportion of the net pension liability (asset)		0.009%	0.009%
District's proportionate share of the net pension liability (asset)	\$	6,336	\$ 5,100
State's proportionate share of the net pension liability (asset) associated with the District		2,192	1,955
Total	\$	8,528	\$ 7,055
District's covered-employee payroll	\$	4,387	\$ 3,913
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		144%	130%
Plan fiduciary net position as a percentage of the total pension liability		74%	77%
Schedule of District Contributions			
Contractually required contribution	\$	511	\$ 390
Contributions in relation to the contractually required contribution		(511)	(390)
Contribution deficiency (excess)	\$	-	\$ -
District's covered payroll	\$	4,758	\$ 4,387
Contributions as a percentage of covered-employee payroll		11%	9%

Cal PERS	<i>(\$ Amounts in thousands)</i>	2016	2015
Schedule of District's proportionate share of the net pension liability			
District's proportion of the net pension liability (asset)		0.013%	0.013%
District's proportionate share of the net pension liability (asset)	\$	1,946	\$ 1,484
District's covered-employee payroll	\$	1,462	\$ 1,374
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		133%	108%
Plan fiduciary net position as a percentage of the total pension liability		79%	83%
Schedule of District Contributions			
Contractually required contribution	\$	182	\$ 172
Contributions in relation to the contractually required contribution		(182)	(172)
Contribution deficiency (excess)	\$	-	\$ -
District's covered payroll	\$	1,536	\$ 1,462
Contributions as a percentage of covered-employee payroll		12%	12%

SUPPLEMENTARY INFORMATION

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PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education (CDE):			
No Child Left Behind (NCLB):			
Title I, Basic School Support	84.010	14329	\$ 89,719
Title II, Part A, Teacher Quality	84.367	14341	4,642
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	7,966
Title III, Immigrant Education Program	84.365	15146	3,492
Special Ed: IDEA			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	205,443
Mental Health Allocation Plan	84.027	15197	13,653
Total Special Ed: IDEA			219,096
Federal Impact Aid (ESEA, Title VIII)	84.041	10015	32,683
Total U. S. Department of Education			357,598
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through CDE:			
National School Lunch & Basic Breakfast Programs			
Child Nutrition: School Programs (NSL Sec 11)	10.555	13524	170,814
Child Nutrition: School Programs (NSL Sec 4)	10.555	13391	39,256
Child Nutrition: School Programs (School Breakfast Basic)	10.553	13390	80,313
Commodities	10.555	*	37,283
Total U. S. Department of Agriculture			327,666
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Medi-Cal Passed through CDE:			
Billing Option	93.778	10013	22,500
Administrative Activities (MAA)	93.778	10060	11,397
Total U. S. Department of Health & Human Services			33,897
Total Federal Expenditures			\$ 719,161

See accompanying note to supplementary information

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2016

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten through third	547	550
Fourth through sixth	390	391
Seventh through eighth	267	266
Special education - nonpublic, nonsectarian schools	4	5
Average Daily Attendance Total	1,208	1,212

See accompanying note to supplementary information

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2016**

Grade Level	1982 - 83 Actual Minutes¹	Education Code § 46207(a) Minutes' Requirements²	Current Year Minutes³	Current Year Days⁴	Status
Kindergarten	31,938	36,000	60,765	180	Complied
Grade 1	45,063	50,400	54,510	180	Complied
Grade 2	45,063	50,400	54,510	180	Complied
Grade 3	52,500	50,400	54,510	180	Complied
Grade 4	52,500	54,000	54,645	180	Complied
Grade 5	52,500	54,000	64,645	180	Complied
Grade 6	52,500	54,000	63,145	180	Complied
Grade 7	52,500	54,000	63,145	180	Complied
Grade 8	52,500	54,000	63,145	180	Complied

¹ Shown for historical purposes

² District did NOT meet its LCFF funding target

³ District participated in Longer Instructional Day

⁴ District participated in Longer Instructional Year

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

	2017 (Budget)	2016	2015	2014
GENERAL FUND:				
Revenues	\$ 11,422,011	\$ 11,898,624	\$ 9,842,402	\$ 9,187,239
Transfers in	18,000	15,220	14,378	14,619
Total	11,440,011	11,913,844	9,856,780	9,201,858
Expenditures	11,929,346	11,094,166	10,099,748	8,782,932
Other uses and transfers out	41,616	9,271	14,563	-
Total	11,970,962	11,103,437	10,114,311	8,782,932
INCREASE/(DECREASE)				
IN FUND BALANCE	\$ (530,951)	\$ 810,407	\$ (257,531)	\$ 418,926
ENDING FUND BALANCE				
	\$ 3,288,628	\$ 3,819,579	\$ 3,009,172	\$ 3,266,703
AVAILABLE RESERVES¹				
	\$ 1,701,221	\$ 1,703,770	\$ 2,378,821	\$ 2,574,457
AVAILABLE RESERVES AS A				
PERCENTAGE OF OUTGO	14%	15%	24%	29%
LONG-TERM DEBT				
	N/A	\$ 25,670,069	\$ 24,398,603	\$ 18,094,476
AVERAGE DAILY				
ATTENDANCE AT P-2	1,209	1,208	1,148	1,110

The General Fund balance has increased by \$552,876 over the past two years. The fiscal year 2016-17 budget projects a decrease of \$530,951 (fourteen percent). For a district this size, the State recommends available reserves of at least four percent of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2016-17 fiscal year. Total long term obligations have increased by \$7,575,593 over the past two years.

Average daily attendance has increased by ninety-eight ADA over the past two years. An increase of one ADA is anticipated during fiscal year 2017-16.

¹ Available reserves consist of all unassigned fund balance within the General Fund

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no adjustments this year.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2016**

There are no charter schools sponsored by the District.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

COMBINING BALANCE SHEET – NON-MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Gov. Funds
ASSETS					
Deposits and investments	\$ 31,284	\$ 240,449	\$ 334,390	\$ 108	\$ 606,231
Accrued receivables	49,085	-	-	-	49,085
Due from other funds	2,687	108,341	4,936	-	115,964
Total Assets	\$ 83,056	\$ 348,790	\$ 339,326	\$ 108	\$ 771,280
LIABILITIES					
Accrued liabilities	\$ 157	\$ -	\$ 18,179	\$ -	\$ 18,336
Due to other funds	24,875	-	18,009	-	42,884
Total Liabilities	25,032	-	36,188	-	61,220
FUND BALANCES					
Non-spendable	500	-	-	-	500
Spendable					
Restricted	-	-	303,138	-	303,138
Committed	-	348,790	-	-	348,790
Assigned	57,524	-	-	108	57,632
Total Fund Balances	58,024	348,790	303,138	108	710,060
Total Liabilities and Fund Balances	\$ 83,056	\$ 348,790	\$ 339,326	\$ 108	\$ 771,280

See accompanying note to supplementary information

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
 – NON-MAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Gov. Funds
REVENUES					
Local Control Funding					
Formula ("LCFF") Sources					
Transfers	\$ -	\$ 108,341	\$ -	\$ -	\$ 108,341
Federal sources	327,666	-	-	-	327,666
Other State sources	23,823	-	-	-	23,823
Other local sources	204,152	1,903	593,232	1	799,288
Total Revenues	555,641	110,244	593,232	1	1,259,118
EXPENDITURES					
Current					
Pupil services					
Food services	521,351	-	-	-	521,351
General administration					
All other general admin	24,736	-	86,124	-	110,860
Plant services	-	47,994	-	-	47,994
Debt service					
Principal	-	-	365,800	-	365,800
Interest and other	-	-	195,000	-	195,000
Total Expenditures	546,087	47,994	646,924	-	1,241,005
Excess (Deficiency) of Revenues					
Over Expenditures	9,554	62,250	(53,692)	1	18,113
OTHER FINANCING SOURCES					
Transfers In	9,271	-	170,000	-	179,271
NET CHANGE IN					
FUND BALANCE	18,825	62,250	116,308	1	197,384
Fund Balance - Beginning	39,199	286,540	186,830	107	512,676
Fund Balance - Ending	\$ 58,024	\$ 348,790	\$ 303,138	\$ 108	\$ 710,060

See accompanying note to supplementary information

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

1 - A. Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, as applicable.

District has NO sub-recipients.

There are no balances of loan or loan guarantee programs (“loans”) outstanding at the end of the audit period. The District has not elected to use the 10% de minimis cost rate.

1 - B. Schedule of Average Daily Attendance (“ADA”)

Displaying ADA data for both the Second Period and Annual reports, by grade span and program as appropriate; and separately for each charter school, shows the total ADA and the ADA generated through classroom-based instruction by grade span, as appropriate; and if there are any ADA adjustments due to audit findings, displays additional columns for the Second Period and Annual reports reflecting the final ADA after audit finding adjustments, shown by grade span.

1 - C. Schedule of Instructional Time

Displaying, for school districts, including basic aid districts, data that show whether the district complied with article 8 (commencing with § 46200) of chapter 2 of part 26 of the Education Code; showing by grade level:

1 - C.I For districts that met or exceeded their LCFF target or districts that participated in longer day funding, the number(s) of instructional minutes specified in Education Code section 46207(a) or 46201(b) as applicable, and the district's required instructional minutes set forth in Audit Guide Part F, Instructional Time, as applicable;

1 - C.II For districts that did not meet or exceed their LCFF target and did not participate in longer day funding, the number(s) of instructional minutes the district offered in the 1982-83 year, and the district's required instructional minutes as calculated in Audit Guide Part F, Instructional Time, as applicable;

1 - C.III For all districts, the instructional minutes offered during the year audited showing the school with the lowest number of minutes offered at each grade level;

1 - C.IV For all districts, the number of instructional days offered during the year audited on the traditional calendar and on any multitrack year-round calendars; and whether the district complied with the instructional minutes and day's provisions. State in a note to the schedule whether the district participated in longer day incentives and whether the district met or exceeded its LCFF target funding.

1 - C.V For charter schools, data that show whether the charter school complied with Education Code sections 47612 and 47612.5; showing by grade level the number(s) of instructional minutes specified in Education Code section 47612.5; the instructional minutes offered during the year audited showing the school location with the lowest number of minutes offered at each grade level; the number of instructional days offered during the year audited on the traditional calendar and on any multitrack calendars; and whether the charter school complied with the instructional minutes and days provisions.

1 - D. Schedule of Financial Trends and Analysis

Displaying information regarding the auditee's financial position and going concern status, in the form of actual financial and attendance figures for at least the most recent three-year period (ending with the audit year), plus the current year's budget, for the following items: general fund financial activity, including total revenue, expenditures, and other sources and uses; general fund balance; available reserve balances (funds designated for economic uncertainty, and any other remaining undesignated fund balance) within the general fund or special reserve fund; available reserve balances expressed as a percentage of total general fund outgo (expenditures, transfers out, and other uses), including a comparison to the applicable state-recommended available reserve percentage; total long-term debt; and elementary and secondary second principal ADA; and, when the auditee's percentage of available reserves to total general fund outgo is below the state-recommended percentage, management's plans for increasing the auditee's available reserve percentage.

1 - E. Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

Displaying the differences between the ending fund balance(s) from the audited financial statements and the unaudited ending fund balance(s) from the annual financial and budget report for each fund in which a variance occurred.

1 - F. Schedule of Charter Schools

Listing all charter schools chartered by the school district or county office of education, and indicating for each charter school whether or not the charter school is included in the school district or county office of education audit.

1 - G. Combining Statements – Non-Major Governmental Funds

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

1 - H. Local Education Agency Organization Structure

LEA Organization Structure, setting forth the following information, at a minimum:

- 1 - **H.I** The date on which the LEA was established, and for charter schools the date and granting authority of each charter;
- 1 - **H.II** The date and a general description of any change during the year audited in a school district's boundaries;
- 1 - **H.III** The numbers by type of schools in the LEA;
- 1 - **H.IV** The names, titles, terms, and term expiration dates of all members of the governing board;
- 1 - **H.V** The names, with their titles, of the superintendent, chief business official, and deputy / associate / assistant superintendents.

This schedule is located in the front of the report.

OTHER INDEPENDENT AUDITOR'S REPORTS

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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
Plumas Lake Elementary School District
Plumas Lake, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Plumas Lake Elementary School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Plumas Lake Elementary School District's basic financial statements, and have issued our report thereon dated November 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Plumas Lake Elementary 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 Plumas Lake Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Plumas Lake Elementary 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

RT DENNIS
ACCOUNTANCY

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "M. J. Dennis Accountancy". The signature is written in a cursive style and includes a large, decorative flourish underneath the name.

November 29, 2016

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Plumas Lake Elementary School District
Plumas Lake, California

REPORT ON STATE COMPLIANCE

We have audited Plumas Lake Elementary School District's compliance with the requirements as identified in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, § 19810, et seq., applicable to Plumas Lake Elementary School District's state programs as listed on the next page for the year ended June 30, 2016.

Management's Responsibility

Compliance with the applicable requirements referred to above is the responsibility of Plumas Lake Elementary School District's management.

Auditors' Responsibility

Our responsibility is to express an opinion on Plumas Lake Elementary School District's compliance 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; and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, § 19810, et seq. ("the current State Audit Guide"). Those standards 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 the applicable government programs listed on the next page. An audit includes examining, on a test basis, evidence about Plumas Lake Elementary 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. Our audit does not provide a legal determination of Plumas Lake Elementary School District's compliance with those requirements.

Basis for Qualified Opinion

As described in the accompanying schedule of findings and questioned costs, finding 2016-001, Plumas Lake Elementary School District did not comply with requirements regarding the Classroom Teachers Salaries for not spending the required percentage on classroom teachers. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

RT DENNIS
ACCOUNTANCY

Qualified Opinion Classroom Teacher Salaries

In our opinion, except for noncompliance described in the Basis for Qualified Opinion paragraph, Plumas Lake Elementary School District complied in all material respects, with compliance requirements referred to previously that were audited for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other State Programs

In our opinion, Plumas Lake Elementary School District complied, in all material respects, with the compliance requirements referred to previously, that is applicable, with programs listed on this page and the next for the year ended June 30, 2016.

In connection with the audit referred to on the previous page, we selected and tested transactions and records to determine the Plumas Lake Elementary School District's compliance with the State laws and regulations applicable to the following items:

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
Local Education Agencies Other Than Charter Schools	
A. Attendance	Yes
B. Teacher Certification And Misassignments	Yes
C. Kindergarten Continuance	Yes
D. Independent Study	Not Applicable ¹
E. Continuation Education	Not Applicable
F. Instructional Time	Yes
G. Instructional Materials	Yes
H. Ratio Of Administrative Employees To Teachers	Yes
I. Classroom Teacher Salaries	Yes
J. Early Retirement Incentive	Not Applicable
K. Gann Limit Calculation	Yes
L. School Accountability Report Card	Yes
M. Juvenile Court Schools	Not Applicable
N. Middle Or Early College High Schools	Not Applicable
O. K-3 Grade Span Adjustment	Not Applicable
P. Transportation Maintenance Of Effort	Yes

¹We did not perform testing for Independent Study because ADA was below the required threshold for testing.

School Districts, County Offices Of Education, And Charter Schools

R. Educator Effectiveness	Yes
S. California Clean Energy Jobs Act	Yes
T. After School Education And Safety Program	Not Applicable
U. Proper Expenditure Of Education Protection Account Funds	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts	Yes
X. Local Control And Accountability Plan	Yes
Y. Independent Study Course Based	Not Applicable
Z. Immunizations	Yes

Charter Schools

AA. Attendance	Not Applicable
BB. Mode Of Instruction	Not Applicable
CC. Nonclassroom-Based Instruction/Independent Study For Charter School	Not Applicable
DD. Determination Of Funding For Nonclassroom-Based Instruction	Not Applicable
EE. Annual Instructional Minutes - Classroom Based	Not Applicable
FF. Charter School Facility Grant Program	Not Applicable

Plumas Lake Elementary School District's Response to Findings

Plumas Lake Elementary School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Plumas Lake Elementary 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 on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the audit requirements of the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



November 29, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

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

STATE AWARDS

Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>
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PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no Financial Statement Findings this year.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Five Digit Code
61000

AB 3627 Finding Type
Classroom Teacher Salaries

2016-001 61000

CLASSROOM TEACHER SALARIES

CRITERIA

According to Education Code § 41372 pursuant to the provisions of Education Code § 41374, the District is required to expend sixty percent of current year expenditures of education on classroom teachers' salaries and benefits.

CONDITION AND CONTEXT

The District is required to meet a minimum of sixty percent of Current Expense of Education. For the year ended June 30, 2016, the District's Current Expense of Education, after adjustments and reclassifications, was \$9,601,664, and the District was deficient \$41,287.

CAUSE

It appears, due to low class sizes, the number of school sites, and the overall size of the District contributed to not meeting the required percentage.

EFFECT

There is no effect on the financial reporting or internal controls of the District.

RECOMMENDATIONS

The District should increase expenditures sufficiently to meet the required minimum of sixty percent.

DISTRICT'S RESPONSE

The District has begun discussions on how to meet the required percentages. Some options that the District will consider are lower class sizes, additional programs, and adding instructional staff.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

2015-001 61000

CLASSROOM TEACHER SALARIES

CRITERIA

According to Education Code § 41372 pursuant to the provisions of Education Code § 41374, the District is required to expend sixty percent of current year expenditures of education on classroom teachers' salaries and benefits.

CONDITION AND CONTEXT

The District is required to meet a minimum of sixty percent of Current Expense of Education. For the year ended June 30, 2014, the District's Current Expense of Education, after adjustments and reclassifications, was \$8,501,361, and the District was deficient \$115,619.

CAUSE

It appears, due to low class sizes, the number of school sites, and the overall size of the District contributed to not meeting the required percentage.

EFFECT

There is no effect on the financial reporting or internal controls of the District.

RECOMMENDATIONS

The District should increase expenditures sufficiently to meet the required minimum of sixty percent.

STATUS

Partially Implemented, see finding 2016-001.