



**PLUMAS LAKE
ELEMENTARY
SCHOOL DISTRICT**

**ANNUAL FINANCIAL
REPORT**

JUNE 30, 2018

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

OF YUBA COUNTY

PLUMAS LAKE, CALIFORNIA

JUNE 30, 2018

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
David Villanueva	President	December 2018
Michelle Perrault	Vice President	December 2020
Angela Covil	Member	December 2018
Frankye Doig	Member	December 2018
Derek Bratton	Member	December 2018

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, 2018, 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (2017-18 K-12 Audit Guide)*, 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.

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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 schedules of pension information on pages 5 – 18 and 63 – 66, 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 Title 2, *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (2017-18 K-12 Audit Guide)*, 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 October 12, 2018 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.

Dennis Cooper and Associates, CPA's

October 12, 2018



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, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was \$17.6 million at June 30, 2018. This was a decrease of \$1.5 million over the prior net position.
- Overall expenses were \$16 million, which was less than revenues of \$14.6 million.
- The total cost of the District's programs were \$14 million
- The general fund reported a decrease in fund balance this year of approximately \$32,000, which include intentional one time expenditures:
 - Mandated Claims Reimbursement/Common Core/Discretionary Carryover Funds in the amount of \$30,031
 - Educator Effectiveness carryover funding in the amount of \$36,322

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:

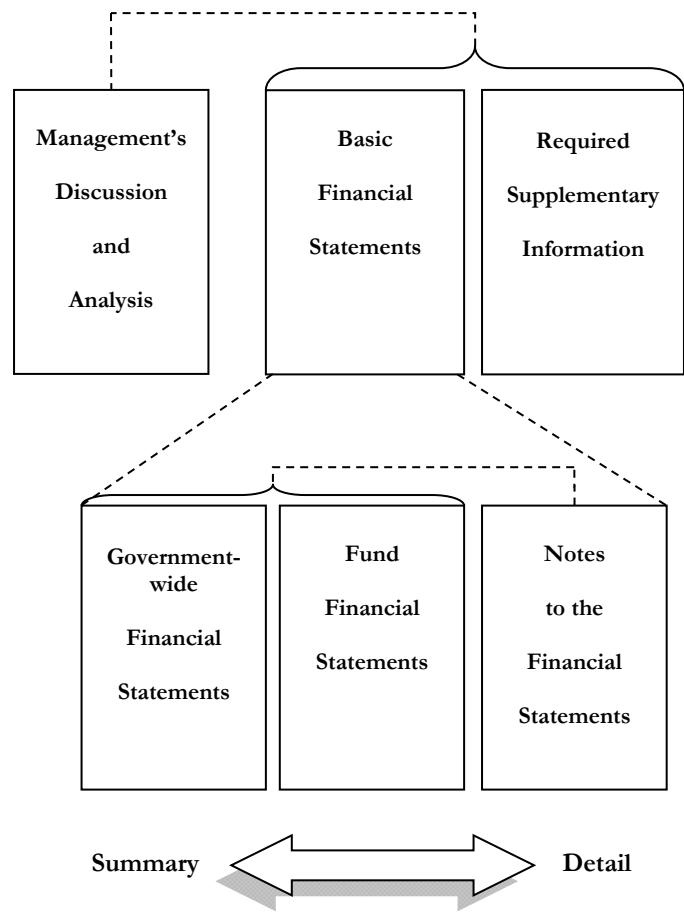
**Figure A-1
 Required Components of Plumas Lake Elementary School District’s Annual Financial Report**

- 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, and 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.



PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2018

The figure below 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.

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.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2018

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.

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, 2018

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District’s net position decreased between fiscal years 2017 and 2018—by almost \$1.5 million. (See Table 1.)

Cash, primary current asset, increased about five percent. Overall, capital assets have increased, mostly due to the District’s invest in capital assets in the current year. Deferred outflows of resources have increased and deferred inflows of resources are up as a result of the implementation of GASB 68, 75 and 82. Long-term debt shows an increase due to increase in pension liabilities over the prior year.

Table 1 - Net Position

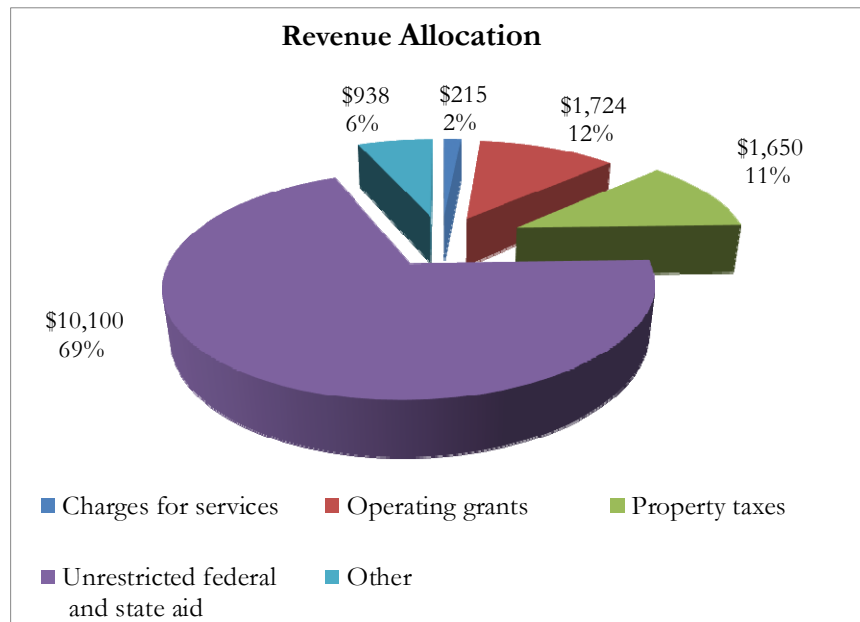
<i>(amounts in thousands)</i>	2018	2017	\$ Change	% Change
ASSETS				
Current assets	\$ 6,321	\$ 6,047	\$ 274	5%
Capital assets, net	39,134	41,088	(1,954)	-5%
Total Assets	45,455	47,135	(1,680)	-4%
Deferred outflows of resources	4,358	2,968	1,390	47%
Total Assets and Deferred				
Outflows of Resources	\$ 49,813	\$ 50,103	\$ (290)	43%
LIABILITIES				
Current liabilities	\$ 1,267	\$ 1,533	\$ (266)	-17%
Non-current liabilities	30,573	28,966	1,607	6%
Total Liabilities	31,840	30,499	1,341	4%
Deferred inflows of resources	410	568	(158)	-28%
Total Liabilities and Deferred				
Inflows of Resources	32,250	31,067	1,183	4%
NET POSITION				
Net investment in capital assets	23,110	24,595	(1,485)	-6%
Restricted	673	450	223	50%
Deficit	(6,220)	(6,009)	(211)	4%
Total Net Position	\$ 17,563	\$ 19,036	\$ (1,473)	-8%

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

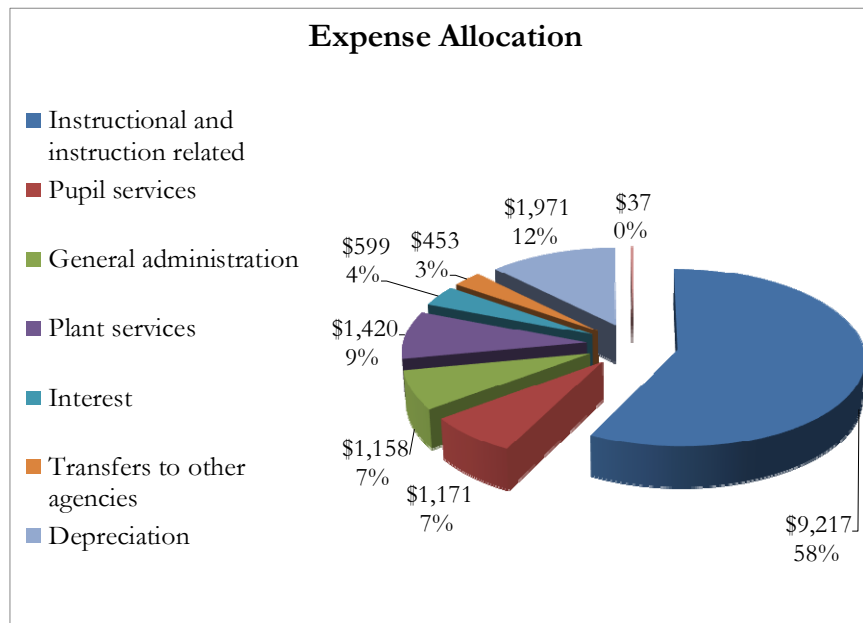
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2018

Changes in Net Position

The District’s total revenues increased by four percent to \$14.6 million. (See Table 2.) Almost three-quarters of the District’s revenue comes from state aid, and twelve cents of every dollar raised comes from some type of grant. (See Revenue Allocation.) Another eleven percent comes from property taxes, and the rest is from other local source.



The District’s expenses cover a range of services, with almost 60% related to instruction and instruction related expenses. (See Expense Allocation.)



PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2018

Governmental Activities

Table 2 - Changes in Net Position

<i>(amounts in thousands)</i>	2018	2017	\$ Change	% Change
REVENUES				
Program revenues				
Charges for services	\$ 215	\$ 193	\$ 22	11%
Operating grants	1,724	1,408	316	22%
General revenues				
Property taxes	1,650	1,579	71	4%
Unrestricted federal and state aid	10,100	9,807	293	3%
Other	938	1,083	(145)	-13%
Total Revenues	14,627	14,070	557	4%
EXPENSES				
Instructional and instruction related	9,217	8,940	277	3%
Pupil services	1,171	944	227	24%
General administration	1,158	1,075	83	8%
Plant services	1,420	1,413	7	0%
Interest	599	705	(106)	-15%
Transfers to other agencies	453	442	11	2%
Depreciation	1,971	1,825	146	8%
Other	37	21	16	76%
Total Expenses	16,026	15,365	661	4%
Excess / (Deficiency)	\$ (1,399)	\$ (1,295)	\$ (104)	8%

Revenues increased from the prior year by \$557 thousand. Actual revenues exceeded budget estimates by about \$431 thousand due to an increase in state revenue (STRS on-behalf), local revenue, developer fees and Mello Roos tax collections.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2018

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 \$16 million.
- ❖ The net cost of all governmental activities this year was \$14 million.

Table 3 - Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services			
	2018	2017	2018	2017	\$ Change	% Change
<i>(amounts in thousands)</i>						
Instruction	\$ 7,580	\$ 7,322	\$ 6,781	\$ 6,514	267	4%
Instruction related	1,638	1,618	1,523	1,490	33	2%
Student services	1,170	944	485	381	104	27%
Plant services	1,420	1,413	1,408	1,380	28	2%
Other	4,218	4,068	2,890	3,999	(1,109)	-28%
Total	\$ 16,026	\$ 15,365	\$ 13,087	\$ 13,764	\$ (677)	-5%

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Fund Financial Statement

As the District completed the year, its funds reported a *combined* fund balance of \$5.8 million, which was a 13 percent increase over last year. While the District did intentionally spend down some one-time funds in the General Fund, the District saw a significant increase in developer fees while cutting back on one-time spending in the General Fund from the prior year.

Table 4 - Funds' Performance

	Governmental Funds			
	<i>(amounts in thousands)</i>			
	2018	2017	\$ Change	% Change
REVENUES				
Local Control Funding Formula	\$ 10,373	\$ 10,141	\$ 232	2%
Categorical	1,850	1,758	92	5%
Local	2,450	2,460	(10)	0%
Total Revenues	14,673	14,359	314	2%
EXPENDITURES / EXPENSES				
Certificated	5,492	5,420	72	1%
Classified	1,976	1,860	116	6%
Benefits	2,808	2,545	263	10%
Books and supplies	929	1,162	(233)	-20%
Services and other operating expenses	1,300	1,625	(325)	-20%
Capital outlay	17	2,739	(2,722)	-99%
Other outgo	1,524	1,392	132	9%
Total Expenditures	14,046	16,743	(2,697)	-16%
Net financing activities	-	2,194	(2,194)	n/a
NET CHANGE IN				
FUND BALANCE	\$ 627	\$ (190)	817	430%

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2018

General Fund Budgetary Highlights

Over the course of the year, the School Board revised the District budget several times. These budget amendments fall into three 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 2017).
- ❖ Changes made in the Second Interim are to account for the mid-year staffing changes, adjustments to the salaries and benefits budget due to a salary increase of 2 percent, adjustments of revenue in the Cafeteria Fund and the Capital Facilities Fund.
- ❖ Amendments were made in May 2018 to account for an increase in Special Education costs and donations by the Parent Teacher Organizations in the General Fund as well as adjustments to revenue and expenditures in the Cafeteria Fund due to increased participation in the program. Adjustments were also made to revenue in the Capital Facilities Fund due to an increase in developer impact fees.

Even with these adjustments, actual expenditures were almost \$142,000 above final budget amounts. While the District had savings in salaries, supplies, and contracted services budgets, the most significant positive variance resulted from the District not budgeting for the STRS On-Behalf Contribution.

On the other hand, resources available for appropriation were almost \$431,000 above the final budgeted amount. As noted earlier:

- ❖ District saw a significant increase in Developer impact fees in the Capital Facilities Fund
- ❖ District did not budget for the STRS On-Behalf Contributions.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2018

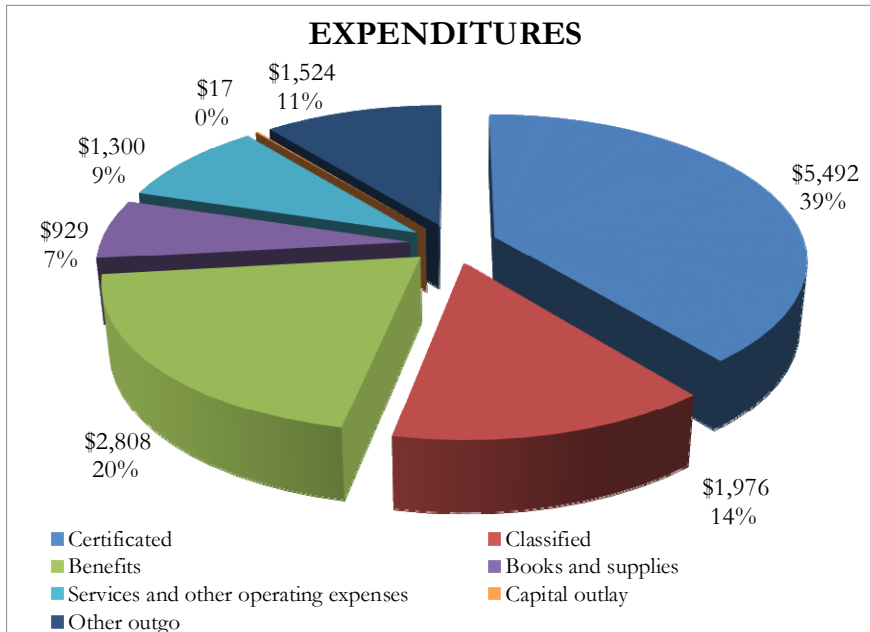
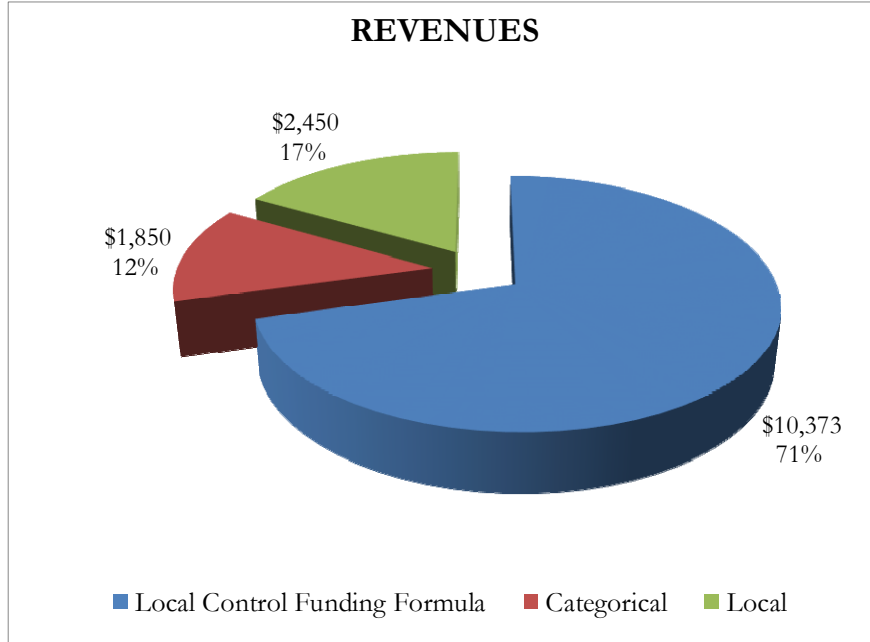
Table 5 - General Fund and Budget Performance

	General Fund Activity			General Fund Budget		
	2018	2017	% Difference	Original Budget	Final Budget	% Difference
<i>(amounts in thousands)</i>						
REVENUES						
Local Control Funding Formula	\$ 10,254	\$ 10,015	2%	\$ 10,262	\$ 10,251	0%
Categorical	1,468	1,446	2%	819	1,051	28%
Local	736	932	-21%	682	725	6%
Total Revenues	12,458	12,393	1%	11,763	12,027	2%
EXPENDITURES						
Certificated	5,492	5,421	1%	5,467	5,519	1%
Classified	1,784	1,681	6%	1,736	1,817	5%
Benefits	2,748	2,491	10%	2,388	2,429	2%
Supplies and services	1,771	2,360	-25%	1,683	1,877	12%
Other	589	971	-39%	642	605	-6%
Total Expenditures	12,384	12,924	-4%	11,916	12,247	3%
Net financing activities	(106)	(10)	N/A	(107)	(107)	0%
NET CHANGE IN						
FUND BALANCE	\$ (32)	\$ (541)	94%	\$ (260)	\$ (327)	-26%

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2018

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, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had invested \$39 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 almost \$2 million over last year due to current year depreciation.

Table 6 - District's Capital Assets

<i>(amounts in thousands)</i>	2018	2017	\$ Change	% Change
CAPITAL ASSETS				
Land and construction in progress	\$ 5,411	\$ 5,411	\$ -	0%
Buildings and equipment	55,150	55,132	18	0%
Accumulated depreciation	(21,427)	(19,455)	(1,972)	10%
Total Capital Assets	\$ 39,134	\$ 41,088	\$ (1,954)	-5%

Long-Term Liabilities

At year-end the District had \$31 million in pension liabilities, bonds, and notes outstanding, an increase of six 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>	2018	2017	\$ Change	% Change
Net pension liabilities	\$ 12,329	\$ 10,219	\$ 2,110	21%
Net OPEB liabilities	66	74	(8)	-11%
Compensated absences	54	50	4	8%
Certificates of participation	9,305	9,515	(210)	-2%
Capital leases	2,116	2,194	(78)	-4%
Lease revenue bonds	4,603	4,784	(181)	-4%
Other long-term liabilities	2,673	2,673	-	0%
Less current portion	(573)	(469)	(104)	22%
Total Long-term Liabilities	\$ 30,639	\$ 29,040	\$ 1,599	6%

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2018

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 growth in enrollment in recent years, however enrollment declined in the 2017-2018 year, which did not impact the LCFF/State Aid revenue because the District was funded on prior year Average Daily Attendance (ADA)
- ❖ The District used 2017-18 ADA to project revenue for the budget year; however enrollment has increased significantly over the prior year and adjustments have been made to the budget.
- ❖ 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 continues to invest dollars in the social emotional needs of students, professional development for staff and technology.
- ❖ LCFF is fully implemented therefore the District will only see COLA increases in the near future.

These indicators were taken into account when adopting the general fund budget for 2018-19.

Amounts available for appropriation in the general fund budget are \$12.6 million, a slight increase of about one percent over the final 2017-18 General fund budget of \$12.5 million.

Budgeted expenditures are expected to increase nearly three percent to \$12.7 million. While the largest increments are increased costs for special education, the District also has increased costs for 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. The District has also added staff such as additional to maintain small class-sizes and a counselor to provide support services for students.

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, 2018

	Governmental
	<i>(Amounts in thousands)</i> Activities
ASSETS	
Deposits and investments	\$ 6,069
Accrued receivables	211
Prepaid expenses	41
Capital assets, not depreciable	5,411
Capital assets, depreciable, net	33,723
Total Assets	45,455
DEFERRED OUTFLOWS OF RESOURCES	4,358
Total Assets and Deferred Outflows of Resources	\$ 49,813
LIABILITIES	
Accrued liabilities	\$ 685
Unearned revenue	9
Long-term obligations, current portion	573
Long-term obligations, net pension liability	30,573
Total Liabilities	31,840
DEFERRED INFLOWS OF RESOURCES	410
NET POSITION	
Net investment in capital assets	23,110
Restricted for	
Capital projects	522
Educational programs	153
Unrestricted - (Deficit)	(6,222)
Total Net Position	17,563
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 49,813

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, 2018

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Instruction	\$ 7,580	\$ 1	\$ 798	\$ (6,781)
Instruction-related services				
Instructional supervision and administration	518	-	87	(431)
Instructional library, media, and technology	197	-	7	(190)
School site administration	923	-	21	(902)
Pupil services				
Home-to-school transportation	240	-	-	(240)
Food services	657	176	403	(78)
All other pupil services	273	-	106	(167)
General administration				
Centralized data processing	221	-	-	(221)
All other general administration	937	10	64	(863)
Plant services	1,420	10	2	(1,408)
Ancillary services	37	18	2	(17)
Interest on long-term debt	599	-	-	(599)
Transfer to other agencies	453	-	234	(219)
Depreciation (unallocated)	1,971	-	-	(1,971)
Total Governmental Activities	\$ 16,026	\$ 215	\$ 1,724	(14,087)
General revenues				
Taxes and subventions				
				919
				731
				10,100
				7
				931
				12,688
				(1,399)
				18,962
				\$ 17,563

The accompanying notes are an integral part of these financial statements

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

		Debt Service			
		Fund for			
		Blended	Non-Major		Total
		Component	Governmental		Governmental
	General Fund	Units	Funds		Funds
ASSETS					
Deposits and investments	\$ 3,690,106	\$ 1,539,356	\$ 839,781	\$	6,069,243
Accrued receivables	155,644	-	54,925		210,569
Due from other funds	68,862	-	227,929		296,791
Prepaid expenditures	41,379	-	-		41,379
Total Assets	\$ 3,955,991	\$ 1,539,356	\$ 1,122,635	\$	6,617,982
LIABILITIES					
Accrued liabilities	\$ 472,215	\$ -	\$ 1,136	\$	473,351
Due to other funds	227,929	14,020	54,842		296,791
Unearned revenue	8,869	-	-		8,869
Total Liabilities	709,013	14,020	55,978		779,011
FUND BALANCES					
Non-spendable	46,479	-	500		46,979
Spendable					
Restricted	152,515	-	521,984		674,499
Committed	420,712	1,525,336	517,905		2,463,953
Assigned	481,384	-	26,268		507,652
Unassigned	2,145,888	-	-		2,145,888
Total Fund Balances	3,246,978	1,525,336	1,066,657		5,838,971
Total Liabilities					
and Fund Balances	\$ 3,955,991	\$ 1,539,356	\$ 1,122,635	\$	6,617,982

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, 2018**

Total Fund Balance - Governmental Funds (*\$ Amounts in thousands*)
\$ 5,839

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	\$ 60,560	
	Accumulated depreciation	(21,427)	39,133

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:

302

Unmatured interest on long-term debt:

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

(211)

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, 2018**

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	12,329	
Net OPEB obligation	66	
Compensated absences	54	
Certificates of participation payable	9,305	
Capital leases payable	2,116	
Lease revenue bonds payable	4,603	
Other long term debt	2,673	(31,146)

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 relating to pensions	4,051
Deferred inflows of resources relating to pensions	(410)

Deferred outflows and inflows of resources related to other postemployment benefits (OPEB):

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

Deferred outflows of resources relating to OPEB	5
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Total Net Position - Governmental Activities	\$	17,563
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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, 2018

	General Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula ("LCFF") Sources	\$ 10,254,496	\$ -	\$ 117,848	\$ 10,372,344
Federal sources	406,808	-	356,005	762,813
Other State sources	1,061,209	-	26,300	1,087,509
Other local sources	735,788	742,863	971,631	2,450,282
Total Revenues	12,458,301	742,863	1,471,784	14,672,948
EXPENDITURES				
Current				
Instruction	7,353,396	-	-	7,353,396
Instruction-related services				
Instructional supervision and administration	500,960	-	-	500,960
Instructional library, media, and technology	191,334	-	-	191,334
School site administration	879,250	-	-	879,250
Pupil services				
Home-to-school transportation	226,841	-	-	226,841
Food services	35,276	-	615,609	650,885
All other pupil services	258,933	-	-	258,933
General administration				
Centralized data processing	211,311	-	-	211,311
All other general administration	815,065	-	71,278	886,343
Plant services				
Ancillary services	35,788	-	-	35,788
Community services	122	-	-	122
Transfers to other agencies	452,553	-	-	452,553
Debt service				
Interest and other	72,411	176,006	353,725	602,142
Principal	78,000	181,000	210,000	469,000
Total Expenditures	12,383,887	357,006	1,304,781	14,045,674
Excess (Deficiency) of Revenues				
Over Expenditures	74,414	385,857	167,003	627,274
OTHER FINANCING SOURCES (USES)				
Transfers In	14,020	-	196,326	210,346
Transfers Out	(120,326)	(90,020)	-	(210,346)
Net Financing Sources (Uses)	(106,306)	(90,020)	196,326	-
NET CHANGE IN FUND BALANCE	(31,892)	295,837	363,329	627,274
Fund Balance - Beginning	3,278,870	1,229,499	703,328	5,211,697
Fund Balance - Ending	\$ 3,246,978	\$ 1,525,336	\$ 1,066,657	\$ 5,838,971

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, 2018**

(\$ Amounts in thousands)

Net Change in Fund Balances - Governmental Funds \$ 627

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:	17	
Depreciation expense:	(1,971)	(1,954)

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:

469

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:

17

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,
Continued
FOR THE YEAR ENDED JUNE 30, 2018**

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:

(4)

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:

(15)

Postemployment benefits other than pensions ("OPEB"):

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

13

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:

(552)

Change in net position of Governmental Activities **\$ (1,399)**

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>ASB Agency Funds</u>
ASSETS	
Deposits and investments	\$ 37,167
LIABILITIES	
Due to student groups:	
Riverside	\$ 17,259
Rio Del Oro	12,596
Cobblestone	7,312
Total Liabilities	\$ 37,167

The accompanying notes are an integral part of these financial statements

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018

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, 2018

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).

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

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.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

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).

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.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2018

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.

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

Fair Value. 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; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2018:

- ❖ Cash in county of \$5.9 million are valued using quoted market prices (Level 1 inputs)

Acquisition Value. The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

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, 2018, based on market prices. 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 the deposits and investments in proprietary funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Prepaid Items

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

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.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2018

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.

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.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

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, 2018. 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 \$674,499 of restricted net position.

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

The Governmental Accounting Standards Board (“GASB”) has issued the following standards:

- ❖ Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 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 of paragraph 7 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.
- ❖ GASB Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
- ❖ GASB Statement No. 85, *Omnibus 2017*. The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 87, *Leases*. Effective Date: For reporting periods beginning after December 15, 2019.

For specific details about the standards, please see www.gasb.org.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS

2 - A. Summary of Deposits and Investments

	Governmental Activities	Fiduciary Funds	Total
Deposits in financial institutions	\$ 5,600	\$ 37,167	\$ 42,767
Cash in County	5,907,015	-	5,907,015
Cash with fiscal agent	156,628	-	156,628
Total	\$ 6,069,243	\$ 37,167	\$ 6,106,410

2 - B. Cash Deposits

Custodial Credit Risk. There is a risk that, in the event of a bank failure, the District’s deposits may not be returned. The District’s deposit policy requires that all deposits are covered by the Federal Depository Insurance Corporation (“FDIC”) or are collateralized as required by Statutes of the State. As of June 30, 2018, the carrying amount of the District’s bank deposits was \$42,767, and the respective bank balances totaled \$47,693. The total bank balances were insured through the FDIC.

2 - C. Investments

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, 2018

2 - D. Policies and Practices

Allowable investment instruments per Government Code §§ 16340, 16429.1, 53601, 53601.8, 53635, 53635.2, 53635.8, and 53638.

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%	None
Commercial Paper— Pooled Funds	270 days	40% of the agency's money	Highest letter and number rating by an NRSROH
Commercial Paper— Non-Pooled Funds	270 days	25% of the agency's money	Highest letter and number rating by an NRSROH
Negotiable Certificates of Deposit	5 years	30%	None
Non-negotiable Certificates of Deposit	5 years	None	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" rating category or its equivalent or better
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%	"AA" rating category or its equivalent or better R
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
Supranational Obligations	5 years	30%	"AA" rating category or its equivalent or better

2 - E. 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.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

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	332 (average)	\$ 5,907,015	\$ 5,888,522
Money market mutual fund	NR	1	156,628	156,031
Total			\$ 6,063,643	\$ 6,044,553

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.

NOTE 3 – ACCRUED RECEIVABLES

Receivables at June 30, 2018, 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	\$ 78,890	\$ 50,858	\$ 129,748
State Government			
Categorical aid	74,631	3,956	78,587
Local categorical	2,123	-	2,123
Other local sources	-	111	111
Total	\$ 155,644	\$ 54,925	210,569

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

NOTE 4 – CAPITAL ASSETS

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

	Balance (Amounts in thousands) July 01, 2017	Additions	Balance June 30, 2018
Capital assets not being depreciated			
Land	\$ 5,411	\$ -	\$ 5,411
Capital assets being depreciated			
Land improvements	\$ 2,430	\$ -	\$ 2,430
Buildings & improvements	51,603	-	51,603
Furniture & equipment	1,099	17	1,116
Total Capital Assets Being Depreciated	55,132	17	55,149
Less Accumulated Depreciation			
Land improvements	44	160	204
Buildings & improvements	18,919	1,735	20,654
Furniture & equipment	492	76	568
Total Accumulated Depreciation	19,455	1,971	21,426
Depreciable Capital Assets, net	\$ 35,677	\$ (1,954)	\$ 33,723
Total Capital Assets, net	\$ 41,088	\$ (1,954)	\$ 39,134

NOTE 5 – INTERFUND TRANSACTIONS

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

Due To Other Funds	Due From Other Funds		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 227,929	\$ 227,929
Debt Service Fund for Blended Component Units	14,020	-	14,020
Non-Major Funds	54,842	-	54,842
Total Due From Other Funds	\$ 68,862	\$ 227,929	\$ 296,791

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

Cafeteria Fund owes the General Fund for prior year expenditures as well as indirect costs and a negative cash in county balance in the amount of	\$ 32,687
Capital Facilities Fund owes the General Fund for administrative fees in the amount of	22,155
Debt Service for Blended Component Units Fund owes the General Fund for CFD administrative fees in the amount of	14,020
General Fund owes the Cafeteria Fund for operational support including bad debt and catering in the amount of	4,081
General Fund owes the Deferred Maintenance Fund for Clean Energy expenditures in the amount of	106,000
General Fund owes the Deferred Maintenance Fund for LCFF deferred maintenance transfer in the amount of	117,848
Total	\$ 296,791

5 - B. Operating Transfers

Transfer To Other Funds	Interfund Transfers In		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 120,326	\$ 120,326
Debt Service Fund for Blended Component Units	14,020	76,000	90,020
Total Interfund Transfers Out	\$ 14,020	\$ 196,326	\$ 210,346

The Debt Service Fund for Blended Component Units transferred to the General Fund for administrative costs in the amount of	\$ 14,020
The Debt Service Fund for Blended Component Units transferred to the Capital Facilities Fund for debt service in the amount of	76,000
General Fund owes the Deferred Maintenance Fund for Clean Energy expenditures in the amount of	106,000
The General Fund transferred to the Cafeteria Fund for debt and annual support in the amount of	14,326
Total	\$ 210,346

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2018

NOTE 6 – ACCRUED LIABILITIES

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

	Non-Major Governmental		Total Governmental	
	General Fund	Funds	District-Wide	Activities
Payroll	\$ 209,166	\$ -	\$ -	\$ 209,166
LCFF State aid	77,141	-	-	77,141
Vendors payable	105,805	1,136	-	106,941
Interest payable	-	-	212,000	212,000
Special education excess cost	80,103	-	-	80,103
Total	\$ 472,215	\$ 1,136	\$ 212,000	\$ 685,351

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, 2018, consist of the following:

	General Fund
Federal sources	\$ 3,069
State categorical sources	5,800
Total	\$ 8,869

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2018

NOTE 8 – LONG-TERM DEBT

8 - A. Long-Term Debt Summary

	Restated			Balance June 30, 2018	Balance Due In One Year
	Balance July 01, 2017	Additions	Deductions		
<i>(Amounts in thousands)</i>					
Governmental Activities					
Mello Roos Special Tax Bonds	\$ 4,784	\$ -	\$ 181	\$ 4,603	\$ 185
Certificates of Participation (COPs)	9,515	-	210	9,305	305
Plumas Lake Owners Group	2,673	-	-	2,673	-
Capital Lease	2,194	-	78	2,116	83
Net pension liabilities ("NPL")	10,219	2,110	-	12,329	-
Net OPEB obligations	74	-	8	66	-
Compensated absences	50	4	-	54	-
Total	\$ 29,509	\$ 2,114	\$ 477	\$ 31,146	\$ 573

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 with an aggregate principal amount of \$4,009,000. 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, 2018

The annual requirements to amortize the Mellos Roos Special Tax bonds payable outstanding as of June 30, 2018, are as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds Outstanding June 30, 2018
				Outstanding June 30, 2017	Redeemed	
2015	2036	3.75%	4,009	3,687	138	3,549
2015	2036	3.75%	1,189	1,097	43	1,054
			\$ 5,198	\$ 4,784	\$ 181	\$ 4,603

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
2019	\$ 143	\$ 130	\$ 273
2020	147	125	272
2021	156	119	275
2022	160	113	273
2023	164	107	271
2024 - 2028	931	437	1,368
2029 - 2033	1,093	246	1,339
2034 - 2035	755	44	799
Total	\$ 3,549	\$ 1,321	\$ 4,870

Community Facilities District (CFD) No. 2 (Refunding)			
Year Ending June 30,	Principal	Interest	Total
2019	\$ 42	\$ 39	\$ 81
2020	42	37	79
2021	47	35	82
2022	47	34	81
2023	47	32	79
2024 - 2028	275	130	405
2029 - 2033	325	75	400
2034 - 2035	229	13	242
Total	\$ 1,054	\$ 395	\$ 1,449

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

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, 2018, are as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds	
				Outstanding June 30, 2017	Redeemed	Outstanding June 30, 2018	
2013	2043	3.00% to 4.50%	\$ 3,705	\$ 3,705	\$ -	\$ 3,705	
2013	2038	3.00% to 4.00%	6,205	5,810	210	5,600	
			<u>\$ 9,910</u>	<u>\$ 9,515</u>	<u>\$ 210</u>	<u>\$ 9,305</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
2019	\$ 95	\$ 151	\$ 246
2020	95	148	243
2021	100	145	245
2022	100	142	242
2023	100	138	238
2024 - 2028	580	628	1,208
2029 - 2033	405	502	907
2034 - 2038	980	336	1,316
2039 - 2042	1,250	123	1,373
Total	\$ 3,705	\$ 2,313	\$ 6,018

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

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
2019	\$ 210	\$ 195	\$ 405
2020	220	189	409
2021	230	182	412
2022	235	175	410
2023	240	168	408
2024 - 2028	770	720	1,490
2029 - 2033	1,475	466	1,941
2034 - 2037	2,220	131	2,351
Total	\$ 5,600	\$ 2,226	\$ 7,826

8 - F. 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 2016-17 year. The outstanding liability at June 30, 2018 is \$2,673,407.

8 - G. Capital Lease

On September 1, 2016, the Plumas Elementary School District entered into a site lease agreement with the Public Property Financing Corporation of California (the Corporation) to fund the District's solar projects. The district is leasing District sites to the Corporation. During the lease, the corporation is providing site improvement which consist of solar panels and any construction needed (in association with the solar panels) at the three school sites. The capital lease has been funded by Clean Renewable Energy Bonds that were issued for \$2,194,000. The bond debt service payments is the same schedule as the capital lease payment schedule.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

8 - H. Debt Service Requirements to Maturity – Capital Lease

The lease payments through 2034 as follows:

Year Ending June 30,	<i>(Amounts in thousands)</i>	Lease Payment
2019	\$	153
2020		156
2021		159
2022		162
2023		164
2024 - 2028		860
2029 - 2033		929
2034 - 2035		194
Total		\$ 2,777
Less: Amount representing interest		661
Present value of minimum lease payments		\$ 2,116

8 - I. Pension Liabilities

The District's pension activities between the District and Cal STRS and Cal PERS for the year ended June 30, 2018, resulted in net pension obligations and other related balances as follows:

<i>(Amounts in thousands)</i>			
	Cal STRS	Cal PERS	Total
District's proportionate share of the net pension liability	\$ 9,217	\$ 3,112	\$ 12,329

<i>(Amounts in thousands)</i>			
	Cal STRS	Cal PERS	Total
Deferred Outflows of Resources	\$ (3,094)	\$ (957)	\$ (4,051)
Deferred Inflows of Resources	373	37	410
Total	\$ (2,721)	\$ (920)	\$ (3,641)

See Note 10 for additional information regarding the pension plans and activities.

8 - J. Other Postemployment Benefits

The District's OPEB for the year ended June 30, 2018, resulted in an OPEB obligation of \$66,000. See Note 11 for additional information regarding the pension plans and activities.

8 - K. Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$54,000.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

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	41,379	-	-	41,379
Total Nonspendable	46,479	-	500	46,979
Spendable				
Restricted				
Educational programs				
State	111,520	-	-	111,520
Local	40,995	-	-	40,995
Capital projects for development	-	-	521,984	521,984
Total Restricted	152,515	-	521,984	674,499
Committed				
Deferred maintenance	-	-	517,905	517,905
COP / CFD debt service	420,712	1,525,336	-	1,946,048
Total Committed	420,712	1,525,336	517,905	2,463,953
Assigned				
Education projects	368,000	-	-	368,000
Equipment replacement	113,384	-	-	113,384
Food service	-	-	26,158	26,158
Capital projects	-	-	110	110
Total Assigned	481,384	-	26,268	507,652
Unassigned				
Reserve for economic uncertainties	1,401,966	-	-	1,401,966
Unassigned	743,922	-	-	743,922
Total Unassigned	2,145,888	-	-	2,145,888
Total	\$ 3,246,978	\$ 1,525,336	\$ 1,066,657	\$ 5,838,971

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.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS

10 - A. General Information about California State Teachers' Retirement System ("CalSTRS")

10 - A.I Plan description.

CalSTRS administers a hybrid retirement system consisting of a defined benefit plan, two defined contribution plans, a postemployment benefit plan, and a fund used to account for ancillary activities associated with various deferred compensation plans and programs:

- ❖ State Teachers' Retirement Plan ("STRP")
- ❖ CalSTRS Pension 2 Program (Internal Revenue Code 403(b) and 457(b) plans)
- ❖ Teachers' Health Benefits Fund ("THBF")
- ❖ Teachers' Deferred Compensation Fund ("TDCF")

CalSTRS provides pension benefits, including disability and survivor benefits, to California full-time and part-time public school teachers from pre-kindergarten through community college and certain other employees of the public school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established these plans and CalSTRS as the administrator. The terms of the plans may be amended through legislation.

The STRP is a multiple employer, cost-sharing defined benefit plan comprised of four programs: Defined Benefit ("DB") Program, Defined Benefit Supplement ("DBS") Program, Cash Balance Benefit ("CBB") Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. CalSTRS issues a publicly available financial report that can be obtained at <https://www.calstrs.com/comprehensive-annual-financial-report>.

10 - A.II Plan Benefits Provided

The STRP DB Program has two benefit formulas:

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

The 2% refers to the percentage of your final compensation that you'll receive as a retirement benefit for every year of service credit, also known as the age factor. Other differences between the two benefit structures are final compensation, age factors, normal retirement age, creditable compensation cap and contribution rate. In addition, 2% at 62 members aren't eligible for benefit enhancements, the Reduced Benefit Election or the CalSTRS Replacement Benefits Program.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

Contributions:	Effective Date	2% at 60 Members	2 % at 62 Members
Members:	July 1, 2016	10.25%	9.205%
Employers:	July 1, 2016		12.58%
	July 1, 2017		14.43%
	July 1, 2018		16.28%
	July 1, 2019		18.13%
	July 1, 2020		19.10%
	July 1, 2021 – June 30, 2046	The board cannot adjust the employer rate by more than 1% in a fiscal year, and the increase to the contribution rate above the 8.25% base contribution rate cannot exceed 12% for a maximum of 20.25 percent.	
State:	July 1, 20146	Increase from prior rate ceases in 2046-47	
	July 1, 2017		9.328%
	July 1, 2017 – June 30, 2046	8.828%, The board has limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50% in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0%. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.	
	July 1, 2046 and thereafter	4.517%, and same explanation as above	

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

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

	<i>(Amounts in thousands)</i>
District's proportionate share of the net pension liability	\$ 9,217
State's proportionate share of the net pension liability associated with the District	3,424
Total	\$ 12,641

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on employer contributions to the STRP are calculated by CalSTRS based on creditable compensation for active members reported by employers to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2017, the District's proportion was as follows:

	<u>Jun. 30, 2017</u>	<u>Jun. 30, 2016</u>	<u>Difference</u>
Net Pension Liability Allocation Basis	0.0000997	0.0000949	0.0000048

For the year ended June 30, 2018, the District recognized pension expense of \$1,040,000 and revenue of \$396,000 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<i>(Amounts in thousands)</i>	
Differences between expected and actual experience	\$ -	\$ 127
Changes of assumptions	1,708	-
Net difference between projected and actual earnings on pension plan investments	618	245
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	768	-
Total	\$ 3,094	\$ 372

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

Year Ending June 30,	<i>(Amounts in thousands)</i>	
2019	\$ 1,177	\$ 234
2020	409	(124)
2021	409	8
2022	410	248
2023	348	6
2024 - 2025	341	-
Total	\$ 3,094	\$ 372

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

10 - A.III(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, 2016, and rolling forward the total pension liability to June 30, 2017. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions ^{1,2}:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 – June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return ¹	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.5%
Post-retirement Benefit Increases	2% simple for DB (Annually) Maintain 85% purchasing power level for DB Not applicable for DBS/CBB

¹ For the purpose of determining the total pension liability, the assumptions used in the June 30, 2016, financial reporting actuarial valuation, were applied to all periods prior to July 1, 2017. The assumptions applied to those periods on and after July 1, 2017 are reflected in the table above.

² The assumptions for investment rate of return, wage growth and inflation used in the June 30, 2016 financial reporting actuarial valuation were 7.60 percent, 3.75 percent and 3.00 percent, respectively.

³ Net of investment expenses, but gross of administrative expenses.

10 - A.III(2) Discount rate.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the period ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Rate of Return ³
Global Equity	47%	6.30%
Fixed Income	12	0.30
Real Estate	13	5.20
Private Equity	13	9.30
Absolute Return/Risk Mitigating Strategies	9	2.90
Inflation Sensitive	4	3.80
Cash/Liquidity	2	-1.00

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

The discount rate used to measure the total pension liability was 7.1 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 disclosed in Note 1. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1 percent) and assuming that contributions and benefit payments 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.

³ 20-years geometric average

10 - A.III(3) Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.

Presented below is the net pension liability of employers and the state using the current discount rate of 7.10%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease	Current	1% Increase
	(6.10%)	Discount Rate (7.10%)	(8.10%)
<i>(Amounts in thousands)</i>	<u> </u>	<u> </u>	<u> </u>
District's proportionate share of the net pension liability	\$ 13,539	\$ 9,217	\$ 5,716

10 - A.III(4) Pension plan fiduciary net position.

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

10 - B. General Information about California Public Employees' Retirement System ("CalPERS")

10 - B.I Plan Description.

Public Employees' Retirement Fund ("PERF") – The PERF was established in 1932 and provides retirement, death and disability benefits to its member employers, which include the State of California, non-teaching, non-certified employees in schools, and various other public agencies. The benefit provisions for the state and school employees are established by statute. The benefits options for the public agencies are established by statute and voluntarily selected by contract with the System in accordance with the provisions of the Public Employees' Retirement Law.

PERF B is a cost-sharing multiple-employer plan of school employers consisting of non-teaching and non-certified employees.

CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2016.pdf>

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

10 - B.II Benefits provided.

The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. The District’s part of the PERF B – Schools Cost-Sharing risk pool, with a benefit formula of 2.0% @ 55 and 2.0% @ 62, if membership date on or after January 1, 2013. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

10 - B.III Contributions.

CalPERS required employer contributions to be 15.531% of payroll. The report also reported an employee contribution rate of 7.0% for classic and 6.0% for PEPRA. Contributions to the pension plan from the District was \$282,274 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$3,112,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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 agencies, actuarially determined. The District’s proportion was calculated as follows:

	<u>Jun. 30, 2017</u>	<u>Jun. 30, 2016</u>	<u>Difference</u>
Net Pension Liability Allocation Basis	0.000130	0.0001290	0.0000013

For the year ended June 30, 2018, the District recognized pension expense of \$568,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<i>(Amounts in thousands)</i>	
Differences between expected and actual experience	\$ 111	\$ -
Changes of assumptions	454	37
Net difference between projected and actual earnings on pension plan investments	108	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2	-
District contributions subsequent to the measurement date	282	-
Total	\$ 957	\$ 37

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

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,	<i>(Amounts in thousands)</i>	
2019	\$ 494	\$ 37
2020	302	-
2021	161	-
Total	\$ 957	\$ 37

10 - B.IV(1) Actuarial assumptions.

For the measurement period ended June 30, 2017, (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016, actuarial accounting valuation. The actuarial cost method was Entry Age Normal.

The June 30, 2017, total pension liability was based on the following actuarial assumptions:

Discount Rate	7.15%
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

¹The 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) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experiencestudy-2014.pdf>.

Other significant actuarial assumptions used in the June 30, 2016, valuation were based on the results of the actuarial experience study for the period from 1997 to 2011.

The tables below reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10 ¹	Real Return Years 11+ ²
Global Equity	47.0%	4.90%	5.38%
Global Debt Securities	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)

¹An expected inflation rate of 2.50% used for this period.

²An expected inflation rate of 3.00% used for this period.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

10 - B.IV(2) Discount Rate.

The discount rates used to measure the total pension liability for the PERF B was 7.15% and reflects the long-term expected rate of return for the plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by the Board in 2013 were used. For the PERF B projections of expected benefit payments and contributions at the statutorily required member and employer rates were performed to determine if the assets would run out. The tests revealed the assets would not run out. Therefore the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability for the PERF B. The crossover test results can be found on CalPERS' website at <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>

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

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 current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (-100 basis points) or one percentage point higher (+100 basis points) than the current rate:

	1% Decrease	Current	1% Increase
<i>(Amounts in thousands)</i>	(6.15%)	(7.15%)	(8.15%)
District's proportionate share of the net pension liability	\$ 4,577	\$ 3,112	\$ 1,894

10 - B.IV(3) Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS Comprehensive Annual Financial Report.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

NOTE 11 – POSTEMPLOYMENT HEALTHCARE PLAN (Cal STRS)

11 - A. Plan Description

CalSTRS administers a postemployment benefit plan Medicare Premium Payment (“MPP”) Program. The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (“OPEB”) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (“THBF”).

11 - B. Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the STRP DB Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A.

11 - C. Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly employer contributions. In accordance with California Education Code §25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program. Total employer contributions to the MPP Program for fiscal year 2016-17 were \$29.1 million.

11 - D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability of \$66,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on the District’s proportionate share of total CalSTRS-Calculated Employer Contribution, statutorily determined. The District’s proportion was as follows:

	<u>Jun. 30, 2017</u>	<u>Jun. 30, 2016</u>	<u>Difference</u>
Net OPEB Liability Allocation Basis	0.0001587	0.0001489	0.0000098

For the year ended June 30, 2018, the District recognized pension expense of \$5,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
	<i>(Amounts in thousands)</i>
<u>District contributions subsequent to the measurement date</u>	<u>\$ 5</u>

Amounts reported as deferred outflows of resources will be expensed in the subsequent year:

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

11 - E. Actuarial Methods, Assumptions, and Discount Rate Information

11 - E.I Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016 was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017 using the assumptions listed in the following table:

Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 – June 30, 2015	July 1, 2010 – June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Costs Trend Rate ¹	3.70%	3.70%
Medicare Part B Premium Costs Trend Rate ¹	4.10%	4.10%

¹ The assumed increases in the Medicare Part A and Part B Cost Trend Rates vary by year, however; the increases are approximately equivalent to a 3.7 percent and 4.1 percent increase each year for Medicare Part A and Part B, respectively.

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

11 - E.II Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

11 - E.III Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate.

The following table presents the net OPEB liability of employers as of June 30, 2017, using the current discount rate as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
<i>(Amounts in thousands)</i>			
District's proportionate share of the net OPEB liability	\$ 74	\$ 66	\$ 60

	Medicare Costs		
	1% Decrease (2.70%)	Trend Rate (3.70%)	1% Increase (4.70%)
<i>(Amounts in thousands)</i>			
District's proportionate share of the net OPEB liability	\$ 60	\$ 66	\$ 73

11 - F. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS Comprehensive Annual Financial Report.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

12 - A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

12 - B. Operating Leases

As of June 30, 2018, 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:

<u>Fiscal Year</u>	<u>Lease Payments</u>
2019	\$ 3,998

NOTE 13 – 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, 2018, the District made payments of \$7,503, \$1,542,837, and \$169,068, to SELF, TCSIG, and NVSIG, respectively.

NOTE 14 – RESTATEMENT

Due to the implementation of GASB Statement Nos. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the prior period adjustments of net position consist of the following:

	<u>Governmental Activities</u>
Net Position, June 30, 2017	\$ 19,035,486
Increase in:	
Net pension liabilities	(74,000)
Restated Beginning Net Position	\$ 18,961,486

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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, 2018

	<u>Budgeted Amounts</u>			Variances -
	Original	Final	Actual	Positive /
				(Negative)
				Final to
				Actual
REVENUES				
Local Control Funding Formula ("LCFF") Sources				
State aid	\$ 9,587,184	\$ 9,532,007	\$ 9,453,133	\$ (78,874)
Local sources	795,183	842,070	919,211	77,141
Transfers	(120,284)	(122,663)	(117,848)	4,815
Federal sources	352,695	357,311	406,808	49,497
Other State sources	466,668	693,659	1,061,209	367,550
Other local sources	681,540	724,824	735,788	10,964
Total Revenues	11,762,986	12,027,208	12,458,301	431,093
EXPENDITURES				
Certificated salaries	5,466,529	5,519,137	5,492,188	26,949
Classified salaries	1,736,412	1,817,452	1,783,563	33,889
Employee benefits	2,388,406	2,429,435	2,747,583	(318,148)
Books and supplies	384,020	599,942	555,014	44,928
Services and other operating expenditures	1,299,435	1,276,748	1,216,053	60,695
Capital outlay	-	18,729	17,016	1,713
Other outgo				
Excluding transfers of indirect costs	669,081	615,024	602,964	12,060
Transfers of indirect costs	(26,696)	(29,170)	(30,494)	1,324
Total Expenditures	11,917,187	12,247,297	12,383,887	(136,590)
Excess (Deficiency) of Revenues				
Over Expenditures	(154,201)	(220,089)	74,414	294,503
Other Financing Sources (Uses):				
Transfers In	18,000	18,000	14,020	(3,980)
Transfers Out	(125,050)	(125,050)	(120,326)	4,724
Net Financing Sources (Uses)	(107,050)	(107,050)	(106,306)	744
NET CHANGE IN FUND BALANCE	(261,251)	(327,139)	(31,892)	295,247
Fund Balance - Beginning	3,278,870	3,278,870	3,278,870	
Fund Balance - Ending	\$ 3,017,619	\$ 2,951,731	\$ 3,246,978	\$ 295,247

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018**

Cal STRS	<i>(Amounts in thousands)</i>	2018	2017	2016	2015
District's proportion of the net pension liability (asset)		0.010%	0.009%	0.009%	0.009%
District's proportionate share of the net pension liability (asset)	\$ 9,217	\$ 7,672	\$ 6,336	\$ 5,100	
State's proportionate share of the net pension liability (asset) associated with the District	3,424	2,783	2,192	1,955	
Total	\$ 12,641	\$ 10,455	\$ 8,528	\$ 7,055	
District's covered payroll	\$ 5,341	\$ 4,758	\$ 4,387	\$ 3,913	
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		173%	161%	144%	130%
Plan fiduciary net position as a percentage of the total pension liability		65%	70%	74%	77%
Cal PERS	<i>(Amounts in thousands)</i>	2018	2017	2016	2015
District's proportion of the net pension liability (asset)		0.013%	0.013%	0.013%	0.013%
District's proportionate share of the net pension liability (asset)	\$ 3,112	\$ 2,547	\$ 1,946	\$ 1,484	
District's covered payroll	\$ 1,661	\$ 1,536	\$ 1,462	\$ 1,374	
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		187%	166%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability		72%	74%	79%	83%

The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal year.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

Cal STRS	<i>(Amounts in thousands)</i>	2018	2017	2016	2015
Contractually required contribution		\$ 773	\$ 672	\$ 511	\$ 390
Contributions in relation to the contractually required contribution		(773)	(672)	(511)	(390)
Contribution deficiency (excess)		\$ -	\$ -	\$ -	\$ -

District's covered payroll	\$ 5,358	\$ 5,341	\$ 4,758	\$ 4,387
Contributions as a percentage of covered payroll	14%	12%	11%	9%

Cal PERS	<i>(Amounts in thousands)</i>	2018	2017	2016	2015
Contractually required contribution		\$ 282	\$ 231	\$ 182	\$ 172
Contributions in relation to the contractually required contribution		(282)	(231)	(182)	(172)
Contribution deficiency (excess)		\$ -	\$ -	\$ -	\$ -

District's covered payroll	\$ 1,817	\$ 1,661	\$ 1,536	\$ 1,462
Contributions as a percentage of covered payroll	16%	14%	12%	12%

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

	<u>2018</u>
Total OPEB Liability	
Changes for the year:	
Interest	\$ 2
Changes in assumptions or other inputs	(5)
Benefit payments	(5)
Net Changes in Total OPEB Liability	(8)
Total OPEB Liability - Beginning (Restated)	74
Total OPEB Liability - Ending	\$ 66
Covered Payroll	\$ 5,341
Total OPEB liability as a percentage of covered payroll	1%

District has no assets accumulated in a trust to pay related benefits.

The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal year.

SUPPLEMENTARY INFORMATION

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PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<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	\$ 50,392
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	8,707
Special Ed: IDEA			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	201,925
Mental Health Allocation Plan	84.027A	15197	14,759
Total Special Ed: IDEA			216,684
Federal Impact Aid (ESEA, Title VIII)	84.041	10015	21,594
Total U. S. Department of Education			297,377
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through CDE:			
National School Lunch & Basic Breakfast Programs			
Child Nutrition: School Programs (NSL Sec 11)	10.555	13524	187,870
Child Nutrition: School Programs (NSL Sec 4)	10.555	13391	44,720
Child Nutrition: School Programs (School Breakfast Basic)	10.553	13390	81,942
Total National School Lunch & Basic Breakfast Programs			314,532
Child Nutrition: Equipment Assistance Grants	10.579	14906	17,012
Commodities	10.555	*	36,596
Total U. S. Department of Agriculture			368,140
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Medi-Cal Passed through CDE:			
Billing Option	93.778	10013	18,000
Administrative Activities (MAA)	93.778	10060	16,064
Total U. S. Department of Health & Human Services			34,064
Total Federal Expenditures			\$ 699,581

* Pass-Through Entity Identifying Number unknown

See accompanying note to supplementary information

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

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

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten through third	552	555
Fourth through sixth	392	392
Seventh through eighth	262	262
Special education - nonpublic, nonsectarian schools	10	11
Average Daily Attendance Total	1,216	1,220

See accompanying note to supplementary information

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018**

Grade Level	1982 - 83 Actual Minutes¹	Education Code § 46207(a) Minutes' Requirements²	Current Year Minutes³	Current Year Days⁴	Status
Kindergarten	31,938	36,000	59,980	180	Complied
Grade 1	45,063	50,400	57,280	180	Complied
Grade 2	45,063	50,400	57,200	180	Complied
Grade 3	52,500	50,400	57,200	180	Complied
Grade 4	52,500	54,000	57,400	180	Complied
Grade 5	52,500	54,000	57,400	180	Complied
Grade 6	52,500	54,000	63,350	180	Complied
Grade 7	52,500	54,000	63,350	180	Complied
Grade 8	52,500	54,000	63,350	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, 2018**

	2019 (Budget)	2018	2017	2016
GENERAL FUND:				
Revenues	\$ 12,630,964	\$ 12,458,301	\$ 12,393,076	\$ 11,898,624
Transfers in	17,500	14,020	13,989	15,220
Total	12,648,464	12,472,321	12,407,065	11,913,844
Expenditures	12,714,299	12,383,887	12,923,394	11,094,166
Other uses and transfers out	11,500	120,326	24,380	9,271
Total	12,725,799	12,504,213	12,947,774	11,103,437
INCREASE/(DECREASE)				
IN FUND BALANCE	\$ (77,335)	\$ (31,892)	\$ (540,709)	\$ 810,407
ENDING FUND BALANCE				
	\$ 3,169,643	\$ 3,246,978	\$ 3,278,870	\$ 3,819,579
AVAILABLE RESERVES ¹				
	\$ 2,801,643	\$ 2,145,888	\$ 2,186,218	\$ 2,378,821
AVAILABLE RESERVES AS A				
PERCENTAGE OF OUTGO	22%	17%	17%	21%
LONG-TERM DEBT				
	N/A	\$ 31,146,407	\$ 29,434,959	\$ 25,670,069
AVERAGE DAILY				
ATTENDANCE AT P-2	1,250	1,216	1,237	1,208

The General Fund balance has decreased by \$573,000 over the past two years. The fiscal year 2018-19 budget projects a decrease of \$77,335 (two 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 an operating deficit in the audited year and anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long term obligations have increased by \$5,476,338 over the past two years.

Average daily attendance has increased by eight ADA over the past two years. An increase of thirty-four ADA is anticipated during fiscal year 2018-19.

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

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Capital Project Fund for Blended Component Units	Non-Major Gov. Funds
ASSETS						
Deposits and investments	\$ 500	\$ 294,057	\$ 543,875	\$ 1,239	\$ 110	\$ 839,781
Accrued receivables	54,925	-	-	-	-	54,925
Due from other funds	4,081	223,848	-	-	-	227,929
Total Assets	\$ 59,506	\$ 517,905	\$ 543,875	\$ 1,239	\$ 110	\$ 1,122,635
LIABILITIES						
Accrued liabilities	\$ 161	\$ -	\$ 975	\$ -	\$ -	\$ 1,136
Due to other funds	32,687	-	22,155	-	-	54,842
Total Liabilities	32,848	-	23,130	-	-	55,978
FUND BALANCES						
Non-spendable	500	-	-	-	-	500
Spendable						
Restricted	-	-	520,745	1,239	-	521,984
Committed	-	517,905	-	-	-	517,905
Assigned	26,158	-	-	-	110	26,268
Total Fund Balances	26,658	517,905	520,745	1,239	110	1,066,657
Total Liabilities and Fund Balances	\$ 59,506	\$ 517,905	\$ 543,875	\$ 1,239	\$ 110	\$ 1,122,635

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, 2018

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Capital Project Fund for Blended Component Units	Non-Major Gov. Funds
REVENUES						
Local Control Funding						
Formula ("LCFF") Sources						
Transfers	\$ -	\$ 117,848	\$ -	\$ -	\$ -	\$ 117,848
Federal sources	356,005	-	-	-	-	356,005
Other State sources	26,300	-	-	-	-	26,300
Other local sources	226,172	2,714	741,505	1,239	1	971,631
Total Revenues	608,477	120,562	741,505	1,239	1	1,471,784
EXPENDITURES						
Current						
Pupil services						
Food services	615,609	-	-	-	-	615,609
General administration						
All other general admin	30,494	-	40,784	-	-	71,278
Plant services	-	54,169	-	-	-	54,169
Debt service						
Principal	-	-	353,725	-	-	353,725
Interest and other	-	-	210,000	-	-	210,000
Total Expenditures	646,103	54,169	604,509	-	-	1,304,781
Excess (Deficiency) of						
Revenues Over						
Expenditures	(37,626)	66,393	136,996	1,239	1	167,003
OTHER FINANCING SOURCES						
Transfers In	14,326	106,000	76,000	-	-	196,326
NET CHANGE IN						
FUND BALANCE	(23,300)	172,393	212,996	1,239	1	363,329
Fund Balance - Beginning	49,958	345,512	307,749	-	109	703,328
Fund Balance - Ending	\$ 26,658	\$ 517,905	\$ 520,745	\$ 1,239	\$ 110	\$ 1,066,657

See accompanying note to supplementary information

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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* 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; no changes in the District's boundaries were noted in the 2016-2017 audited year;
- 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.

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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, 2018, 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 October 12, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any significant deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Financial Statement Findings on page 92 item 2018-001.

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*.

Plumas Lake Elementary School District's Response to Findings

Plumas Lake Elementary School District's response to the finding identified in our audit are described in the accompanying Financial Statement Findings, page 92. 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 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.

Dennis Cooper and Associates, CPAs

October 12, 2018

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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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (2017-18 K-12 Audit Guide)*, 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, 2018.

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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (2017-18 K-12 Audit Guide)*, 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.

Opinion

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, 2018

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:

PROGRAM NAME	PROCEDURES PERFORMED
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	Yes
P. Transportation Maintenance of Effort	Yes
Q. Apprenticeship: Related and Supplemental Instruction	Not Applicable
R. Educator Effectiveness	Yes
S. California Clean Energy Jobs Act	Yes
T. After/Before 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
Charter Schools	Not Applicable ²

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

²No charter schools.

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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (2017-18 K-12 Audit Guide)*. Accordingly, this report is not suitable for any other purpose.

Dennis Cooper and Associates, CPAs

October 12, 2018

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, 2018**

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>Unmodified</u>
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PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Five Digit Code
30000

AB 3627 Finding Type
Internal Control

2018-001

ASSOCIATED STUDENT BODY (ASB) - DEFICIENCY

CRITERIA

ASBs collect and spend money on behalf of the student body. ASBs handle cash and can be an opportunity for misappropriation of cash. Due to the inherent risk of fraud involved with the ASB it is important that the school sites and the District set in place strong internal controls to deter the opportunity for fraud. These policies and procedures are set forth in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference for California K-12 Public Schools and Community Colleges* published by FCMAT.

CONDITION AND CONTEXT

During our review of the District's ASB reconciliations and financial records the following was noted:

1. Revenue potentials were not being utilized for fundraisers such as yearbook sales

CAUSE

The ASB activity has been relatively small and easy to track in the past. Now the ASBs have grown in activity and are more complicated warranting tighter internal controls.

EFFECT

Only potential effect would be on the fiduciary funds. If cash were to go missing it could understate the cash balance.

RECOMMENDATIONS

The District should set forth policies and procedures to ensure that good internal control procedures are being used. A guide for the district is *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference for California K-12 Public Schools and Community Colleges* published by FCMAT as noted above. The District will need to retrain staff to follow these procedures and monitor the ASBs to ensure that the controls in place are being utilized and working.

DISTRICT RESPONSE

The District staff has worked diligently to train site staff on the internal controls and the importance of issuing receipts, preparing bank reconciliations timely and ensuring the general ledgers are updated immediately. General ledger spreadsheets have been protected to prevent hardcoding totals. Bookkeepers are no longer signers on the ASB bank accounts.

Revenue potentials are not being utilized for fundraisers. The District has experienced a turnover in site staff and will work with new staff to properly train them and implement revenue potentials.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

**STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no State Award Findings this year.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Five Digit Code
30000

AB 3627 Finding Type
Internal Control

2017-001

ASSOCIATED STUDENT BODY (ASB) - DEFICIENCIES

CRITERIA

ASBs collect and spend money on behalf of the student body. ASBs handle cash and can be an opportunity for misappropriation of cash. Due to the inherent risk of fraud involved with the ASB it is important that the school sites and the District set in place strong internal controls to deter the opportunity for fraud. These policies and procedures are set forth in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference for California K-12 Public Schools and Community Colleges* published by FCMAT.

CONDITION AND CONTEXT

During our review of the District's ASB reconciliations and financial records the following was noted:

1. The bank reconciliations were not prepared timely.
2. ASB general ledgers were not updated immediately after a transaction has taken place.
3. ASB general ledgers were in excel and the totals were hardcoded. Mistakes were noted during the audit.
4. ASB bookkeepers were signers on the ASB bank account and preparing the bank reconciliations.
5. Receipts were not being utilized for monies received.
6. Revenue potentials were not being utilized

CAUSE

The ASB activity has been relatively small and easy to track in the past. Now the ASBs have grown in activity and are more complicated warranting tighter internal controls.

EFFECT

Only potential effect would be on the fiduciary funds. If cash were to go missing it could understate the cash balance.

RECOMMENDATIONS

The District should set forth policies and procedures to ensure that good internal control procedures are being used. A guide for the district is *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference for California K-12 Public Schools and Community Colleges* published by FCMAT as noted above. The District will need to retrain staff to follow these procedures and monitor the ASBs to ensure that the controls in place are being utilized and working.

STATUS

Partially implemented. All except #6 above.