PLACERVILLE UNION SCHOOL DISTRICT
COUNTY OF EL DORADO
PLACERVILLE, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

PLACERVILLE UNION SCHOOL DISTRICT

JUNE 30, 2018

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Placerville Union School District
Placerville, California

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Placerville Union School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Placerville Union School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Placerville Union School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 9 to the financial statements, the District adopted updated accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on page 58 and accounting by employer for postemployment benefits and pensions on pages 59 through 61 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The introductory, financial and statistical information listed as supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 my opinion, the financial and statistical information listed as supplementary information and the schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 6, 2018, on my consideration of Placerville Union School District's internal control over financial reporting and my 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 my 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 Placerville Union School District's internal control over financial reporting and compliance.

Michelle Hanson

MICHELLE M. HANSON
Certified Public Accountant

December 6, 2018

The discussion and analysis of Placerville Union School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the District's financial statements, as listed in the table of contents.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

FINANCIAL HIGHLIGHTS

- General Fund (including the Deferred Maintenance and Pupil Transportation Funds) expenditures and other uses exceeded revenues and other sources by $289 thousand ending the year with a fund balance of $3.1 million, and available reserves of $1.4 million, higher than the State recommended reserve level of 3% ($400 thousand).

- The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was $26.5 million. After depreciation, the June 30, 2018 book value for fixed assets totaled $15.6 million.

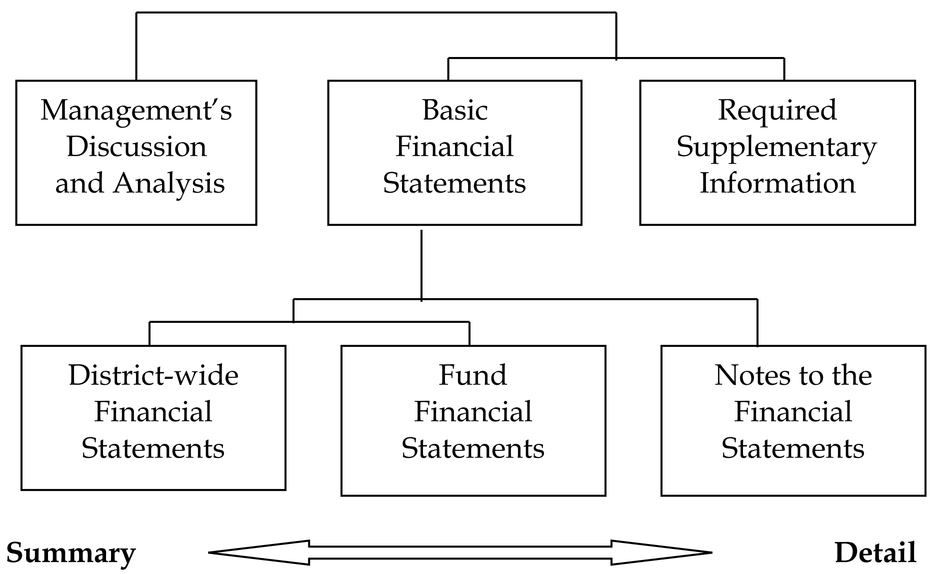
- In complying with GASB 68, the District recognized its portion of the unfunded STRS and PERS pension liabilities for the first time in 2014-2015. The District's portion of the unfunded STRS and PERS pension liability, based on the most recent actuarial valuations, increased $2.1 million in 2017-2018 and is reported in the Statement of Net Position.

- In 2017-2018 the District and P.E.E.A. added Article XXII, Retirement Benefit Program to the contract which provides a yearly payment towards medical benefits for the employee for three years if eligibility requirements are met. Under the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (also implemented in the 2017-2018 fiscal year) the District is required to carry the actuarial liability of its Retiree Benefit Program for Certificated employees in its net position. This has negatively impacted the District's unrestricted net position (decrease of $306 thousand to the June 30, 2017 unrestricted net position).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the Placerville Union School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Components of the Financial Section



The first two statements are *district-wide financial statements,* the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's more significant funds with all other non-major funds presented in total in one column. A comparison of the District's general fund budget is included.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section (Concluded)

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.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the District as a whole and its activities in a way that helps answer the question, "How did we do financially during 2017-2018?"

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the District.

- Increases or decreases in the net position of the District over time are indications of whether its financial position is improving or deteriorating, respectively.

- Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

- Governmental Funds

  Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund and the Debt Service Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

- Fiduciary Funds

  The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in a separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The School District as a Whole

The District's net position was $4.5 million at June 30, 2018. Of this amount $3.5 million was restricted. Net investment in capital assets, account for $8.9 million of the total net position. A comparative analysis of government-wide data is presented in Table 1.

Comparative Statement of Net Position
Table 1

	Governmental Activities	
	2018	(Restated) 2017
ASSETS		
Cash	$ 6,810,003	$ 6,632,268
Receivables	200,719	401,928
Prepaid expenditures	8,606	1,470
Capital assets	15,614,989	15,870,440
Total assets	22,634,317	22,906,106
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows on pensions	4,402,013	2,727,140
Deferred outflows on other postemployment benefits	14,248	
Total deferred outflows of resources	4,416,261	2,727,140
LIABILITIES		
Accounts payable and other current liabilities	397,445	327,899
Unearned revenue	53,039	5,294
Unamortized bond premium	49,533	52,629
Long-term liabilities	21,457,405	19,695,858
Total liabilities	21,957,422	20,081,680
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on pensions	564,918	422,181
Deferred inflows on other postemployment benefits	6,119	
Total deferred inflows of resources	571,037	422,181
NET POSITION		
Net investment in capital assets	8,891,244	8,736,810
Restricted	3,509,501	3,593,765
Unrestricted (deficit)	(7,878,626)	(7,201,190)
Total net position	$ 4,522,119	$ 5,129,385

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The School District as a Whole (Concluded)

The District's net position decreased $607 thousand this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 73% of total expenses. The purely administrative activities of the District accounted for 9% of total costs. The remaining 18% was spent in the areas of plant services, interest on long-term debt, depreciation and other expenses. (See Figure 2)

Comparative Statement of Change in Net Position
Table 2

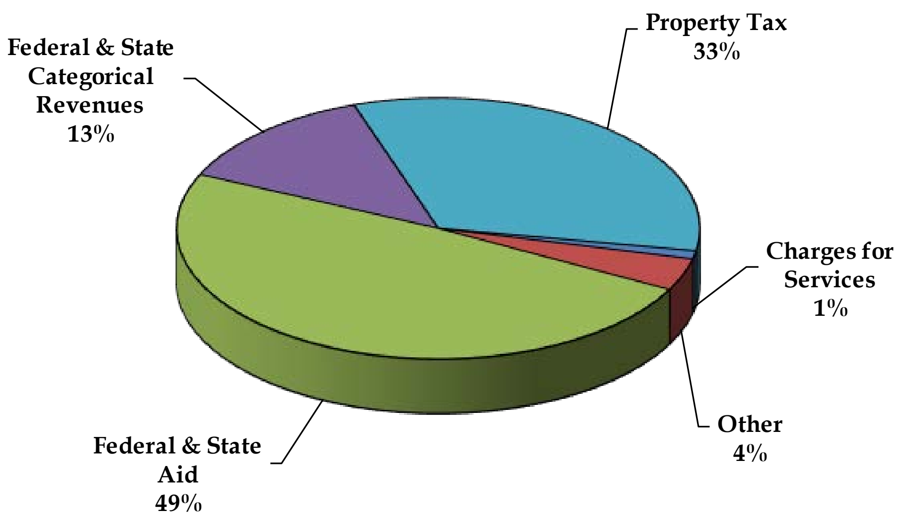
	Governmental Activities	
	2018	2017
REVENUES		
Program revenues	$ 1,966,029	$ 2,946,672
General revenues		
Taxes levied for general purposes	4,031,790	3,781,072
Taxes levied for debt service	609,593	543,921
Federal and State aid not restricted to specific purposes	6,975,022	7,291,028
Interest and investment earnings	81,708	54,950
Interagency revenues	227,410	213,939
Miscellaneous	202,372	133,402
Total revenues	14,093,924	14,964,984
EXPENSES		
Instruction	7,746,881	7,536,443
Instruction related services	1,323,251	1,206,983
Pupil support services	1,595,134	1,502,601
General administration	1,307,677	1,257,578
Plant services	1,273,535	1,535,643
Other	1,454,712	1,265,904
Total expenses	14,701,190	14,305,152
Increase (decrease) in net position	$ (607,266)	$ 659,832

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

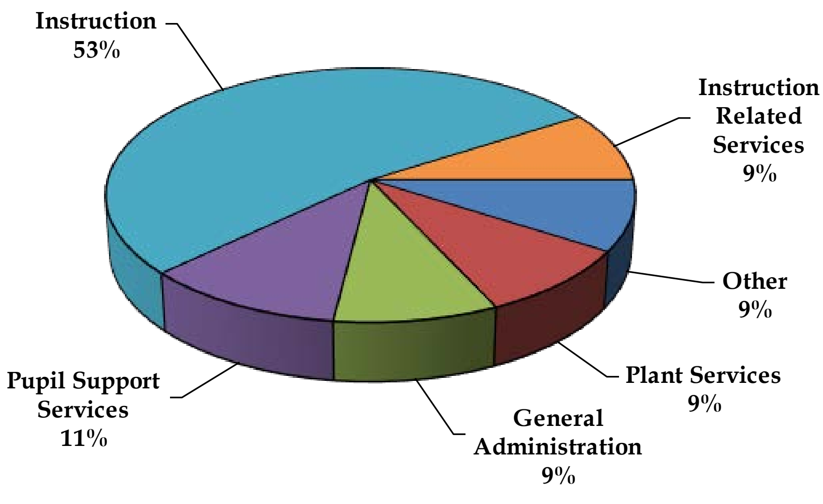
Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was $14.7 million. The amount that our local taxpayers financed for these activities through property taxes was $4.6 million. Federal and State Aid not restricted to specific purposes totaled $7.0 million. State and Federal Categorical revenue totaled over $1.8 million, or 13% of the revenue of the entire District. (See Figure 1)

Sources of Revenue for the 2017-2018 Fiscal Year
Figure 1



Expenses for the Fiscal Year 2017-2018
Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of $6.6 million, a decrease of $138 thousand from the previous fiscal year's combined ending balance of $6.7 million. The Debt Service Fund increased by $144 thousand as funds are set aside for future debt service payments. The General Fund decreased $289 thousand. The Building Fund decreased $45 thousand as the bond proceeds continue to be spent on approved technology projects.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget periodically. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net increase to the ending balance of $409 thousand, (including budgets for the Deferred Maintenance Fund and the Pupil Transportation Fund.)

The District ended the year with $3.1 million in the General Fund ending balance, of which $670 thousand is reserved for economic uncertainties and $710 thousand is unassigned. The remaining balance is made up of restricted and assigned fund balances. The State recommends an ending reserve for economic uncertainties of 3 percent ($400 thousand). The District's ending reserve was 10.4 percent.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2017-2018 fiscal year, the District had invested $26.5 million in a broad range of capital assets, including school buildings, athletic facilities, administrative buildings, site improvements, vehicles, and equipment. The capital assets net of depreciation was $15.6 million at June 30, 2018, which is a decrease of $255 thousand from the previous year.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Capital Assets (Concluded)

Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2018 and 2017
Table 3

	2018	2017	Difference Increase (Decrease)
Land	$ 320,168	$ 320,168	
Site Improvements	514,768	539,088	$ (24,320)
Buildings	14,380,663	14,669,931	(289,268)
Machinery and Equipment	399,390	282,676	116,714
Work in Process		58,577	(58,577)
Totals	$ 15,614,989	$ 15,870,440	$ (255,451)

The District completed the HVAC replacement project and replaced a bus along with other various purchases and the recognition of $808 thousand of depreciation expense.

Long-Term Debt

At June 30, 2018, the District had $21.5 million in long-term debt outstanding.

Comparative Schedule of Outstanding Debt
June 30, 2018 and 2017
Table 4

	2018	(Restated) 2017
General Obligation Bonds	$ 4,769,987	$ 5,224,987
Accreted Interest	834,397	745,342
Other Post-employment Benefits	318,470	305,652
Compensated Absences	12,500	
Qualified Zone Academy Bonds	2,000,000	2,000,000
Net Pension Liability	13,522,051	11,419,877
Totals	$ 21,457,405	$ 19,695,858

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Local Control Funding Formula (LCFF) is aimed at correcting historical inequities while decreasing previous constraints on restricted program expenses. The formula is intended to make funding more transparent and simple. With the flexibility also comes requirements for accountability. The Local Control Accountability Plan (LCAP) is mandated and must be aligned and adopted with the District's budget. The LCAP is expected to describe how the District intends to meet annual goals for all pupils, with specific activities to address state and local priorities identified during the LCAP development process.

The LCFF is the largest unknown for the District. The funding structure has no statutory cost of living allowance built into it and relies solely on the annual budget process at the legislative level. Planning for the "out years" will be much more difficult and volatile under the LCFF funding formula. The years necessary to bring the District to their target funding could be unpredictable and unstable, thereby creating a need for a larger reserve than past years. The ongoing unpredictability of the District's supplemental and concentration funding under the LCFF will also create unstable budgets even after the district's target has been met.

Future predictions and uncertainties with the changes to the State funding formula, enrollment and aging District facilities require management to plan carefully and prudently to provide the necessary resources to meet student's needs and continue to keep pace with inflation increases over the next several years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the District Office, Placerville Union School District, 1032 Thompson Way, Placerville, CA 95667.

PLACERVILLE UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

		Governmental Activities
ASSETS		
Cash (Note 2)	$	6,810,003
Accounts Receivable (Note 3)		200,719
Prepaid Expenses (Note 1H)		8,606
Capital Assets, Net of Depreciation (Note 5)		15,614,989
Total Assets		22,634,317
DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)		
Deferred Outflows on Pensions (Note 11)		4,402,013
Deferred Outflows on Other Postemployment Benefits (Note 9)		14,248
Total Deferred Outflows of Resources		4,416,261
LIABILITIES		
Accounts Payable and Other Current Liabilities		397,445
Unearned Revenue (Note 1H)		53,039
Unamortized Bond Premium (Note 6)		49,533
Long-term Liabilities (Note 7)		
Due Within One Year		482,500
Due After One Year		20,974,905
Total Liabilities		21,957,422
DEFERRED INFLOWS OF RESOURCES (NOTE 1H)		
Deferred Inflows on Pensions (Note 11)		564,918
Deferred Inflows on Other Postemployment Benefits (Note 9)		6,119
Total Deferred Inflows of Resources		571,037
NET POSITION		
Net Investment in Capital Assets		8,891,244
Restricted For:		
Capital Projects		522,734
Debt Service		2,186,537
Education Programs		640,161
Other Purposes (Expendable)		160,069
Unrestricted (Deficit)		(7,878,626)
Total Net Position	$	4,522,119

PLACERVILLE UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Governmental Activities	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Instruction	$ 7,746,881		$ 913,247	$ (6,833,634)
Instruction-Related Services:				
Supervision of Instruction	177,954		44,894	(133,060)
Instructional Library, Media and Technology	226,001		5,867	(220,134)
School Site Administration	919,296	$ 1,204	52,060	(866,032)
Pupil Services:				
Home-To-School Transportation	580,340	4,337	8,790	(567,213)
Food Services	570,581	99,480	433,553	(37,548)
All Other Pupil Services	444,213		104,660	(339,553)
General Administration:				
Data Processing	316,397			(316,397)
All Other General Administration	991,280	2,885	68,784	(919,611)
Plant Services	1,273,535	27,842	32,560	(1,213,133)
Ancillary Services	104,318		79,117	(25,201)
Enterprise Activities	49,440			(49,440)
Interest on Long-Term Debt	198,149			(198,149)
Other Outgo	295,124	22,781	63,968	(208,375)
Depreciation (unallocated)	807,681			(807,681)
Total Governmental Activities	$ 14,701,190	$ 158,529	$ 1,807,500	(12,735,161)
General Revenues:				
Property Taxes Levied For:				
General Purposes				4,031,790
Debt Service				609,593
Federal and State Aid Not Restricted to Specific Purposes				6,975,022
Interest and Investment Earnings				81,708
Interagency Revenues				227,410
Miscellaneous				202,372
Total General Revenues				12,127,895
Change (Decrease) in Net Position				(607,266)
Net Position Beginning - Restated, Note 15				5,129,385
Net Position Ending				$ 4,522,119

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PLACERVILLE UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash (Note 2)	$ 3,325,317	$ 1,626,801	$ 1,857,885	$ 6,810,003
Accounts Receivable (Note 3)	196,739		3,980	200,719
Prepaid Expenditures (Note 1H)	8,606			8,606
Total Assets	$ 3,530,662	$ 1,626,801	$ 1,861,865	$ 7,019,328
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 328,835		$ 22,731	$ 351,566
Unearned Revenue (Note 1H)	53,039			53,039
Total Liabilities	381,874		22,731	404,605
Fund Balances (Note 1H):				
Nonspendable	12,106		50	12,156
Restricted	640,161	$ 1,626,801	1,288,731	3,555,693
Assigned	1,116,583		550,353	1,666,936
Unassigned	1,379,938			1,379,938
Total Fund Balances	3,148,788	1,626,801	1,839,134	6,614,723
Total Liabilities and Fund Balances	$ 3,530,662	$ 1,626,801	$ 1,861,865	$ 7,019,328

PLACERVILLE UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balance - governmental funds			$ 6,614,723
Amounts reported for governmental activities in the statement of net position are different 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, at historical cost	$ 26,477,663		
Accumulated depreciation	(10,862,674)		
Net			15,614,989
Unamortized premiums: In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as a reduction in annual interest expense over the life of the debt. Unamortized premiums at year-end were:			(49,533)
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:			(45,879)
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:			
General obligation bonds	$ 4,769,987		
Accreted interest	834,397		
Other post employment benefits	318,470		
Compensated absences	12,500		
Qualified zone academy bonds	2,000,000		
Net pension liability	13,522,051		
Total			(21,457,405)
Deferred outflows and inflows of resources relating to pensions and other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.			
Deferred outflows of resources relating to pensions	$ 4,402,013		
Deferred outflows of resources relating to OPEB	14,248		
Deferred inflows of resources relating to pensions	(564,918)		
Deferred inflows of resources relating to OPEB	(6,119)		
Net			3,845,224
Total net position - governmental activities			$ 4,522,119

PLACERVILLE UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula Sources				
State Apportionments	$ 6,650,881			$ 6,650,881
Local Sources	3,933,189			3,933,189
Total Local Control Funding Formula Sources	10,584,070			10,584,070
Federal Revenue	549,308		$ 414,010	963,318
Other State Revenue	1,197,928		29,667	1,227,595
Other Local Revenue	704,417	$ 32,518	868,580	1,605,515
Total Revenues	13,035,723	32,518	1,312,257	14,380,498
EXPENDITURES				
Certificated Salaries	5,362,137			5,362,137
Classified Salaries	2,262,019		174,451	2,436,470
Employee Benefits	2,828,306		63,365	2,891,671
Books and Supplies	670,414		408,413	1,078,827
Services and Other Operating Expenditures	1,264,065		39,427	1,303,492
Capital Outlay	574,437		4,779	579,216
Debt Service:				
Principal Retirement			455,000	455,000
Interest and Fiscal Charges			116,344	116,344
Other Outgo	280,124		15,000	295,124
Total Expenditures	13,241,502	0	1,276,779	14,518,281
Excess of Revenues Over (Under) Expenditures	(205,779)	32,518	35,478	(137,783)
Other Financing Sources (Uses):				
Operating Transfers In (Note 4)		111,884		111,884
Operating Transfers Out (Note 4)	(83,190)		(28,694)	(111,884)
Total Other Financing Sources (Uses)	(83,190)	111,884	(28,694)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(288,969)	144,402	6,784	(137,783)
Fund Balances - July 1, 2017	3,437,757	1,482,399	1,832,350	6,752,506
Fund Balances - June 30, 2018	$ 3,148,788	$ 1,626,801	$ 1,839,134	$ 6,614,723

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PLACERVILLE UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net change (decrease) in fund balances - total governmental funds		$ (137,783)
Amounts reported for governmental activities in the statement of activities are different 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 was:		
Expenditures for capital outlay:	$ 557,028	
Depreciation expense:	(807,681)	
Net:		(250,653)
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:		(570,038)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In 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:		455,000
Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss was:		(4,798)
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 that 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:		(84,901)
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 amounts earned. The difference between compensated absences paid and compensated absences earned was:		(12,500)
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:		(4,689)

Amortization of debt issue premium: In governmental funds, if debt is issued at a premium, the premium 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 is amortized as interest over the life of the debt. Amortization of premium for the period was:	3,096
Total change (decrease) in net position - governmental activities	$ (607,266)

PLACERVILLE UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Fund Student Body Accounts
ASSETS	
Cash (Note 2)	$ 139,947
Total Assets	$ 139,947
LIABILITIES	
Due to Student Groups	$ 139,947
Total Liabilities	$ 139,947
Total Net Position	$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

A. Reporting Entity

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, boards and agencies that are not legally separate from the District. For Placerville Union School District, this includes general operations, food service and student related activities of the District. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the district's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current asset and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus and the modified accrual basis of accounting.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues - exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Revenues - exchange and non-exchange transactions (Concluded):

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The District reports the following major funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District accounted for the Deferred Maintenance Fund and the Pupil Transportation Fund separately, but they have been included with the General Fund to comply with GASB 54.

Debt Service Fund is used to account for payments made to the sinking fund, which is required by the lease purchase agreement entered into with California School Boards Association Finance Corporation, for purposes of financing the acquisition of equipment and make improvements at all school sites.

Additionally, the District reports the following fund type:

Fiduciary Funds are agency funds used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. Agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

The amounts reported for student body funds represent the combined totals of all schools within the District.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting (Concluded)

These budgets are revised by the District's Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and Major Special Revenue Funds as required supplementary information in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

F. Encumbrances

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

G. Estimates

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

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in commercial bank accounts are insured to $250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investments losses are proportionately shared by all funds in the pool.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

The county is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county either are secured by federal depository insurance or are collateralized.

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72 *Fair Value Measurement and Application*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

2. Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures in the period benefitted.

3. Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5 to 50 years depending on the asset class.

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and, as such, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

4. Deferred Outflows/Inflows of Resources (Concluded)

This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and, as such, will not be recognized as an inflow of resources (revenue) until that time.

5. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

6. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the California State Teachers Retirement Plan (STRP) and the CalPERS Schools Pool Cost-Sharing Multiple Employer Plan (PERF B) and additions to/deductions from STRP and PERF B fiduciary net positions have been determined on the same basis as they are reported separately by CalSTRS and CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

7. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

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

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

8. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

10. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

11 Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

12. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the District is bound to honor constraints on how specific amounts are to be spent:

Nonspendable Fund Balance - Includes the portions of fund balance not appropriable for expenditures.

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to District constraints self-imposed by formal action of the Board of Trustees.

Assigned Fund Balance - Includes amounts the District intends to use for a specific purpose. Assignments may be established by the Board of Trustees, or the Superintendent of the District or designee.

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

12. Fund Equity (Continued)

Fund Balances

The District's fund balances at June 30, 2018 consisted of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable:				
Revolving Fund	$ 3,500		$ 50	$ 3,550
Prepaid Expenditures	8,606			8,606
Total Nonspendable Fund Balance	12,106		50	12,156
Restricted For:				
Legally Restricted Categorical Funding	640,161			640,161
Debt Service		$ 1,626,801	559,736	2,186,537
Cafeteria Program Operations			160,019	160,019
Purposes Specified in Government Code Sections 65970-65981			155,669	155,669
Modernization Projects			367,065	367,065
Bond Projects			46,242	46,242
Total Restricted Fund Balance	640,161	1,626,801	1,288,731	3,555,693
Assigned For:				
Future Transportation Needs	22,761			22,761
Program Carryover	201,240			201,240
Future Facilities Maintenance/Repairs	554,336			554,336
Site Carryover	104,246			104,246
Social Studies Textbook Adoption	154,000			154,000
Certificated Retirement Incentive	80,000			80,000
Capital Outlay Projects			550,353	550,353
Total Assigned Fund Balance	1,116,583	0	550,353	1,666,936
Unassigned:				
Reserve for Economic Uncertainties	670,000			670,000
Other Unassigned	709,938			709,938
Total Unassigned Fund Balance	1,379,938	0	0	1,379,938
Total Fund Balances	$ 3,148,788	$ 1,626,801	$ 1,839,134	$ 6,614,723

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.

The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

12. Fund Equity (Concluded)

Fund Balance Policy (Concluded)

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 5% of total General Fund expenditures, other uses and transfers out at the close of each fiscal year.

Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the District.

13. Local Control Funding Formula/Property Tax

The District's local control funding formula revenue is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula sources by the District.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Pronouncements

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June, 2015. This Statement's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB) by establishing measurement criteria for the liability. The intent is to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial statements by requiring the recognition of the entire OPEB liability and a broader measure of OPEB expense. This Statement is effective beginning in fiscal year 2017-2018. The District has implemented GASB Statement 75 for the year ended June 30, 2018.

The GASB issued Statement 84, *Fiduciary Activities* in January, 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement is effective beginning in fiscal year 2019-2020. The District has not yet determined the impact on the financial statements.

The GASB issued Statement 85, *Omnibus 2017* in March, 2017. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The Statement is effective beginning in fiscal year 2017-2018. The District has implemented GASB Statement 85 for the fiscal year ended June 30, 2018.

The GASB issued Statement 86, *Certain Debt Extinguishment Issues* in May, 2017. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance. The District has implemented GASB Statement 86 for the fiscal year ended June 30, 2018 but does not have any related debt extinguishments and the Standard has had no effect on the included financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Impact of Recently Issued Accounting Pronouncements (Concluded)

The GASB issued Statement 87, *Leases* in June, 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement is effective beginning in fiscal year 2020-2021. The District has not yet determined the impact on the financial statements.

The GASB issued Statement 88, *Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placements* in April, 2018. The primary objective of this Statement is to improve the information disclosed in notes to the government financial statements related to debt, providing users of financial statements with essential information that currently is not consistently provided. The Statement is effective beginning in fiscal year 2018-2019. The District has not yet determined the impact on the financial statements.

NOTE 2 - CASH

A. Summary of Cash

The following is a summary of cash at June 30, 2018:

Governmental Activities	Fiduciary Funds	Total
$6,810,003	$ 139,947	$6,949,950

The District had the following cash at June 30, 2018:

	Fair Value	Carrying Amount	Credit Quality
Cash in Commercial Banks	$ 139,947	$ 139,947	Not Rated
Cash in Revolving Fund	3,550	3,550	Not Rated
Cash with Fiscal Agent	1,626,317	1,626,801	Not Rated
Cash in County Treasury	4,623,800	5,179,652	Not Rated
Total	$ 6,393,614	$ 6,949,950	

NOTE 2 – CASH (CONTINUED)

B. Policies and Practices

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies

- State Local Agency Investment Fund (LAIF)

- Insured and/or collateralized certificates of deposit

The Policy, in addition to State statues, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The District's investments comply with the established policy.

Cash in Commercial Banks

Cash balances held in commercial bank accounts are insured to $250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2018 the carrying amount of the District's accounts was $143,497, all of which was insured.

Cash with Fiscal Agent

Cash with fiscal agent represents the amount on deposit with US Bank and has been invested in Fortis Funding, LLC, for payment of Qualified Zone Academy Bonds due in 2021 and 2022.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as an involuntary participant of a common investment pool, which totaled $497,642,747.

NOTE 2 – CASH (CONTINUED)

Cash in County Treasury (Concluded)

The fair market value of this pool as of that date, as provided by the pool sponsor, was $497,051,566. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

C. Risk Disclosures

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

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 and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

At June 30, 2018 the District had the following investment maturities:

		Investment Maturities (In Years)		
Investment Type	Fair Value	Less than 1	1 to 4	More than 4
County Treasury	$ 4,623,800	$ 4,280,714	$ 343,086	$ 0
Cash with Fiscal Agent	1,626,317	1,626,317		
Total	$ 6,250,117	$ 5,907,031	$ 343,086	$ 0

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

NOTE 2 – CASH (CONCLUDED)

C. Risk Disclosures (Concluded)

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Foreign Currency Risk - This is the risk that exchange rate will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Other Governmental Funds	Total
Federal Government			
Categorical Aid Programs	$ 10,943	$ 2,831	$ 13,774
State Government			
Categorical Aid Programs	12,648	306	12,954
Lottery	115,960		115,960
Total State Government	128,608	306	128,914
Local Government	17,259		17,259
Miscellaneous	39,929	843	40,772
Total Accounts Receivable	$ 196,739	$ 3,980	$ 200,719

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transactions among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

There were no individual fund interfund receivable and payable balances at June 30, 2018.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 2017-2018 fiscal year were as follows:

	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund		$ 83,190
Debt Service Fund	$ 111,884	
Non-Major Governmental Funds:		
Capital Facilities Fund		28,694
Total	$ 111,884	$ 111,884

Transfer from the General Fund to the Debt Service Fund for Qualified Zone Academy Bond sinking fund payment	$ 83,190
Transfer from the Capital Facilities Fund to the Debt Service Fund For Qualified Zone Academy Bond sinking fund payment.	28,694
Total	$111,884

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018 is shown below:

	Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 320,168			$ 320,168
Work in progress	58,577		$ 58,577	0
Total capital assets, not being depreciated	378,745		58,577	320,168
Capital assets being depreciated:				
Buildings	23,180,296	$ 430,448		23,610,744
Improvements of sites	1,142,949	19,157		1,162,106
Equipment	1,378,582	166,000	159,937	1,384,645
Total capital assets, being depreciated	25,701,827	615,605	159,937	26,157,495
Less accumulated depreciation for:				
Buildings	8,510,365	719,716		9,230,081
Improvements of sites	603,861	43,477		647,338
Equipment	1,095,906	44,488	155,139	985,255
Total accumulated depreciation	10,210,132	807,681	155,139	10,862,674
Total capital assets, being depreciated, net	15,491,695	(192,076)	4,798	15,294,821
Governmental activities capital assets, net	$ 15,870,440	$ (192,076)	$ 63,375	$ 15,614,989

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Unallocated	$807,681

NOTE 6 - UNAMORTIZED BOND PREMIUM

The District sold its General Obligation Bonds, Series 2016 at a premium of $58,820. The premium is amortized using the straight-line method over the life of the bond issue as a reduction in annual interest expense. The annual amortization of the bond premium is as follows:

Year Ended June 30	Annual Amortization
2019	$ 3,096
2020	3,096
2021	3,096
2022	3,096
2023	3,096
2024-2028	15,480
2029-2033	15,480
2034	3,093
Total	$ 49,533

NOTE 7 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 is shown below:

	(Restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
General Obligation Bonds	$ 5,224,987		$ 455,000	$ 4,769,987	$ 470,000
Accreted Interest	745,342	$ 89,055		834,397	
Other Post-employment Benefits	305,652	40,205	27,387	318,470	
Compensated Absences	0	12,500		12,500	12,500
Qualified Zone Academy Bonds	2,000,000			2,000,000	
Net Pension Liability	11,419,877	2,102,174		13,522,051	
Totals	$ 19,695,858	$ 2,243,934	$ 482,387	$ 21,457,405	$ 482,500

The Pension Liability, Other Postemployment Benefits, Compensated Absences and a portion of the Qualified Zone Academy Bonds (QZAB) will be paid from the General Fund with the balance of the QZAB paid from the Capital Facilities Fund. Payments on the General Obligation Bonds will be made from the Bond Interest and Redemption Fund.

NOTE 8 – GENERAL OBLIGATION BONDS

The District has defeased General Obligation Bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the advanced refunding met the requirements of an in-substance defeasance and therefore removed as a liability from the District's government-wide financial statements.

The outstanding general obligation bonded debt at June 30, 2018 is:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 01, 2017	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2018
2004	7.0	2029	$ 504,987	$ 504,987			$ 504,987
2013	2.3	2024	3,885,000	3,120,000		$ 300,000	2,820,000
2016	2.0-4.0	2035	1,600,000	1,600,000		155,000	1,445,000
Total			$ 5,989,987	$ 5,224,987	$ 0	$ 455,000	$ 4,769,987

NOTE 8 – GENERAL OBLIGATION BONDS (CONCLUDED)

Accreted Interest

Series	Interest Rate	Maturity Date	Outstanding July 1, 2017	Accretion Current Year	Payments Current Year	Outstanding June 30, 2018
2004	7.0	2029	$ 745,342	$ 89,055	$ 0	$ 834,397

The annual requirements to amortize the General Obligation Bonds payable, outstanding as of June 30, 2018 are as follows:

Year Ended June 30	Principal	Interest	Total
2019	$ 470,000	$ 104,213	$ 574,213
2020	505,000	91,985	596,985
2021	535,000	78,941	613,941
2022	415,000	67,424	482,424
2023	445,000	57,471	502,471
2024-2028	1,529,239	1,546,910	3,076,149
2029-2033	460,748	609,954	1,070,702
2034-2035	410,000	12,450	422,450
Totals	$ 4,769,987	$ 2,569,348	$ 7,339,335

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The Placerville Union School District's defined benefit OPEB plan, Placerville Union School District Retiree Benefit Plan (PRBP) is described below. The PRBP is a single employer defined benefit plan administered by the Placerville Union School District through California's Valued Trust (CVT), a jointly managed trust, on a pooled, self-insured basis. Employees and retirees may choose from a number of CVT Anthem Blue Cross medical/Rx PPO combinations, as well as several Kaiser North HMO options.

B. Benefit Terms

Certificated employees may retire with District-paid benefits after attaining age 60 and completing at least 20 years of service. This is pursuant to Article XXII, Retirement Benefit Program added to the P.E.E.A. contract in 2017-2018. The annual District contribution cap is $6,847 for the 2017-2018 contract year. The retiree will receive three years of the cap, distributed in one of two ways:

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

B. Benefit Terms (Concluded)

(A) A yearly payment towards medical benefits for the retiree for three years.
(B) A one-time employer contribution to a 403(b) account equal to three years of the cap.

There is no upper age limit for benefits (e.g. age 65). While the election of 403(b) contribution would be within the scope of GASB Statement 73 rather than GASB Statement 75, the effect of this benefit option has been included in this valuation. This appears reasonable because the combined liability for the plan would be identical regardless of how it is split up between the two accounting standards and because there is insufficient credible data at present to accurately estimate the split due to the new benefit and lack of historical information.

Classified and Management employees are not eligible for District-paid retiree health benefits and have not been included in the valuation.

C. Contributions

The contribution requirements of PRBP members and the Placerville Union School District are established and may be amended by the Placerville Union School District and the P.E.E.A. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The District currently finances benefits on a pay-as-you-go basis.

D. Employees Covered

At July 1, 2017, the date of the latest actuarial valuation, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Receiving Benefits	0
Inactive Employees Entitled to but Not Receiving Benefits	0
Participating Active Employees	65
Total Number of Participants	65

E. Total OPEB Liability

The Placerville Union School District's total OPEB liability of $318,470 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

F. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2018
Inflation	2.25%
Salary Increases	3.00%
Discount Rate	
As of 7/01/17	3.60%
As of 6/30/18	3.90%
Healthcare Cost Trend Rate	
6/30/17	8.00%
6/30/18	7.00%
6/30/19	6.00%
6/30/20 and after	5.00%
Retirees' Share of Benefit	100% of premium
Related Costs	after $6,847 cap
Mortality Rates:	
Pre-retirement	RP-2014 Employee Mortality Table, Projected
Post-retirement	RP-2014 Healthy Annuitant Mortality Table, Projected
Retirement Rates	Based on Age and Plan Experience
Turnover Rates	Crocker-Sarason Table T-5

The discount rate was based on the Bond Buyer 20 Bond General Obligation Index.

G. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 305,652
Changes Recognized for the Measurement Period:	
Service cost	19,759
Interest on the total OPEB liability	11,504
Changes of benefit terms	0
Difference between expected and actual experience	15,673
Changes of assumptions	(6,731)
Benefit payments	(27,387)
Net Change During July 1, 2017 to June 30, 2018	12,818
Balance at June 30, 2018 (Measurement Date)	$ 318,470

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

The following presents the total OPEB liability of the Placerville Union School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.90 percent) or one percentage point higher (4.90 percent) than the current discount rate:

	1% Decrease (2.90%)	Discount Rate (3.90%)	1% Increase (4.90%)
Total OPEB Liability	$ 341,485	$ 318,470	$ 297,095

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

The following presents the total OPEB liability of the Gold Oak Union School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current healthcare cost trend rates. The numbers are identical for all three sets of trend rates because the District's contribution is limited to a dollar cap that is always met or exceeded.

	1% Decrease (7.00%)	Healthcare Cost Trend Rate (8.00%)	1% Increase (9.00%)
Total OPEB Liability	$ 318,470	$ 318,470	$ 318,470

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

For the fiscal year ended June 30, 2018, the Placerville Union School District recognized OPEB expense of $32,076. At June 30, 2018, the Placerville Union School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONCLUDED)

J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (Concluded)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Outflows and Inflows of Resources:		
Changes in assumptions		$ 6,119
Net difference between projected and actual experience	$ 14,248	
Totals	$ 14,248	$ 6,119

Gains and losses related to changes in total OPEB liability will be recognized in OPEB expense systematically over time. Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service live of plan members, which is 11 years as of the June 30, 2018 measurement date and will be recognized as increases or decreases respectively to pension expense as follows:

	Outflows	Inflows
2019	$ 1,425	$ 612
2020	1,425	612
2021	1,425	612
2022	1,425	612
2023	1,425	612
2024-2028	7,123	3,059
Total	$ 14,248	$ 6,119

NOTE 10 – QUALIFIED ZONE ACADEMY BONDS

On June 1, 2005, the District entered into a $1,450,000 lease agreement to finance the acquisition of equipment and make improvements to its existing school facilities. The agreement requires the district to make fifteen (15) annual payments of $83,190 to a sinking fund maintained by U.S. Bank. The sum of the annual payments plus interest earned on the sinking fund balance are expected to be sufficient to make a single $1,450,000 lease payment on June 14, 2020 to pay-off the entire lease balance. The agreement provides for title to pass upon expiration of the lease period.

NOTE 10 – QUALIFIED ZONE ACADEMY BONDS (CONCLUDED)

On December 8, 2005, the District entered into a $550,000 lease agreement to finance the acquisition of equipment and make improvements to its existing school facilities. The agreement requires the District to make sixteen (16) annual payments of $28,694 to a sinking fund maintained by U.S. Bank. The sum of the annual payments plus interest earned on the sinking fund balance are expected to be sufficient to make a single $550,000 lease payment on December 8, 2021 to pay-off the entire lease balance. The agreement provides for title to pass upon expiration of the lease period.

Future required sinking fund payments as of June 30, 2018 are as follows:

Year Ended June 30		Sinking Fund Payments
2019	$	111,884
2020		111,884
2021		111,884
2022		28,694
Total sinking fund payments	$	364,346
Lease payment due June 14, 2020	$	1,450,000
Lease payment due December 8, 2021		550,000
Total lease payments due	$	2,000,000

The District will receive no sublease rental revenues nor pay any contingent rentals for these leased assets.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). For the fiscal year ended June 30, 2018, the Placerville Union School District reported its proportionate share of the net pension liabilities, deferred outflows of resources, deferred inflows of resources and pension expense for each of the plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows Related to Pensions	Deferred Inflows Related to Pensions	Pension Expense
CalSTRS	$ 9,212,937	$ 3,005,815	$ 514,184	$ 1,013,024
CalPERS	4,309,114	1,396,198	50,734	665,927
Totals	$ 13,522,051	$ 4,402,013	$ 564,918	$ 1,678,951

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS)

Plan Description. The Placerville Union School District contributes to the State Teachers' Retirement Plan (STRP), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by California State Teachers' Retirement System (CalSTRS). The State of California is a Nonemployer Contributing Entity to the STRP. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor of the STRP and obligor of the trust. In addition, the State of California is both an employer and nonemployer contributing entity to the STRP. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/comprehensive-annual-financial-report.

Benefit. The STRP provides defined benefit program benefits under two formulas: 2% at 60 for members hired on or before December 31, 2012 and 2% at 62 for members hired after that date. Both formulas define hire as the date at which the member was hired to perform service that could be creditable to CalSTRS. The benefit under each formula is calculated as 2% per year of creditable service. The 2% at 60 formula uses final compensation to calculate the benefit. The 2% at 62 formula uses an average of the highest compensation for three consecutive years to calculate the benefit.

Contributions. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. Active plan members under the 2% at 60 formula are required to contribute 10.25% of their salary and active plan members under the 2% at 62 formula are required to contribute 9.205% for the year ended June 30, 2018. The Placerville Union School District and the State of California are required to contribute actuarially determined rates.

The actuarial methods and assumptions used for determining the rates are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016-2017 was 12.58% and for fiscal year 2017-2018 was 14.43% of annual payroll. The required State contribution rate for fiscal year 2016-2017 the rate was 8.828% and for fiscal year 2017-2018 the rate was 9.328%. The Placerville Union School District's contributions to CalSTRS for the fiscal years ending June 30, 2018 and 2017 were $752,992 and $654,960, respectively, and equal 100% of the required contributions for each year.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Contributions (Concluded).

Contribution by District	$ 752,992
Contribution by State	443,225
Total Contribution in 2017-2018	$ 1,196,217

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 $9,212,937 for its proportionate share of the net pension liability for the STRP. 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 applying update procedures to an actuarial valuation as of June 30, 2016.

The District's proportion of the net pension liability was based on a projection of the District's and the State of California's (non-employer contributing entity) long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State of California, actuarially determined. At June 30, 2017, the District's proportion of contributions was 0.0100 percent, an increase of 0.00029 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $1,013,024 which included the State's required on-behalf contribution of $156,650. 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
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	$ 34,071	$ 160,688
Changes in assumptions	1,706,804	
Net difference between projected and actual earnings on pension plan investments		245,366
Changes in proportion and differences between District contributions and proportionate share of contributions	511,948	108,130
District contributions subsequent to measurement date of June 30, 2017	752,992	
Totals	$ 3,005,815	$ 514,184

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded). The $752,992 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources related to pensions and deferred inflows of resources related to pension will be recognized as increases or decreases respectively in pension expense as follows:

	Outflows	Inflows
June 30, 2019	$ 390,991	$ 255,045
June 30, 2020	390,991	(94,238)
June 30, 2021	390,991	38,113
June 30, 2022	390,993	278,507
June 30, 2023	367,756	36,757
June 30, 2024	321,101	
Total	$ 2,252,823	$ 514,184

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-Retirement Benefit Increases	2.00% simple for DB

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Actuarial Assumptions (Concluded). Mortality assumptions are based on mortality rates from the most recent CalSTRS experience study adopted by the CalSTRS Board in February, 2017 (see Change in Assumptions below.) The projection scale was set to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016), published by the Society of Actuaries.

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 CalSTRS Board in February, 2017 in conjunction with the most recent experience study (see Change in Assumptions below.) For each future valuation, CalSTRS' consulting actuary (Milliman) will review 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 used as input to develop the actuarial investment rate of return are summarized in the following table:

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

* 20-year geometric average

Change in Assumptions. During fiscal year 2016-2017, CalSTRS completed an experience study for the period starting July 1, 2010 and ending June 30, 2015. The experience study was adopted by the board in February, 2017.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Change in Assumptions (Concluded). As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the net pension liability. The changes to the assumptions as a result of the experience study follow:

Assumption	As of June 30, 2017	As of June 30, 2016
Consumer Price Inflation	2.75%	3.00%
Investment Rate of Return	7.10%	7.60%
Wage Growth	3.50%	3.75%

Discount Rate. The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming the contributions, benefit payments, and administrative expense occurred 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 payment to determine the total pension liability.

Presented below is the District's proportionate share of the net pension liability of employers and the state using the current discount rate of 7.10 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one to three percent lower or one to three percent higher than the current rate:

Discount Rate	Net Pension Liability of Employers
3% Decrease (4.10%)	$ 25,914,175
2% Decrease (5.10%)	$ 18,983,253
1% Decrease (6.10%)	$ 13,527,516
Current Discount Rate (7.10%)	$ 9,212,937
1% Increase (8.10%)	$ 5,711,363
2% Increase (9.10%)	$ 2,821,362
3% Increase (10.10%)	$ 425,481

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS)

Plan Description. The Placerville Union School District contributes to the School Employer Pool, known as Fund B, (PERF B), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan of school employers consisting of non-teaching and non-certified employees administered by the California Public Employees' Retirement System (CalPERS). The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State of California statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available comprehensive annual financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf.

Contributions. The benefits for the defined benefit pension plan are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the employee's date of hire. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. The Placerville Union School District is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. The required employer contribution rates on applicable annual payroll for the fiscal years ending June 30, 2018 and 2017 were 15.531% and 13.888%, respectively. The Placerville Union School District's employer contributions to CalPERS for the fiscal years ending June 30, 2018 and 2017 were $355,921 and $319,672, respectively and equal 100% of the required contributions for each year.

Benefits. The PERF B provides defined benefit program benefits based on members' years of service, age, final compensation and benefit formula. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

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 $4,309,114 for its proportionate share of the net pension liability for the PERF B. 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 applying update procedures to an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2017, the District's proportion of contributions was 0.0181 percent, a decrease of 0.00018 percent from its proportion measured as of June 30, 2016.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued). For the year ended June 30, 2018, the District recognized pension expense of $665,927. 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
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	$ 154,378	
Changes in assumptions	629,414	$ 50,734
Net difference between projected and actual earnings on pension plan investments	149,066	
Changes in proportion and differences between District contributions and proportionate share of contributions	107,419	
District contributions subsequent to measurement date of June 30, 2017	355,921	
Totals	$ 1,396,198	$ 50,734

The $355,921 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the PERF B pensions will be recognized as increases or decreases respectively in pension expense as follows:

	Outflows	Inflows
June 30, 2019	$ 334,940	$ 50,734
June 30, 2020	461,222	
June 30, 2021	325,744	
June 30, 2022	(81,629)	
Total	$ 1,040,277	$ 50,734

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded). Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is four years as of the June 30, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

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

Experience Study	July 1, 1997, through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-Retirement Benefit Increases	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

The PERF B uses a mortality table based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Change in Assumptions. During fiscal year 2016-2017, the financial reporting discount rate for the PERF B was lowered by CalPERS from 7.65 percent to 7.15 percent. Deferred inflows of resources for changes in assumptions presented in the schedule above represents the unamortized portion of this change and any changes of assumptions related to prior measurement periods.

Discount Rate. The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (Concluded)

Discount Rate (Concluded). The following presents the net pension liability of the Plan as of June 30, 2017, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

Discount Rate	Plan's Net Pension Liability
1% Decrease (6.15%)	$ 6,340,087
Current Discount Rate (7.15%)	$ 4,309,114
1% Increase (8.15%)	$ 2,624,251

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 table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10[1]	Real Return Years 11+[2]
Global Equity	47%	4.90%	5.38%
Fixed Income	19%	0.80%	2.27%
Inflation Assets	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Cash/Liquidity	2%	(.40)%	(.90)%

[1] An expected inflation of 2.5% used for this period

[2] An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position. The plan fiduciary net position disclosed in this report may differ from the plan assets reported in the Schools Pool funding actuarial valuation reported due to several reason. First, for the accounting valuation, items such as deficiency reserves, fiduciary self-insurance and OPEB expense are included in fiduciary net position. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early closing and final reconciled reserves.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRP or PERF B) must be covered by social security or an alternative plan. The District has elected to use Social Security.

NOTE 12 - STUDENT BODY FUNDS

The Student Body organizations often engage in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts.

It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

B. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

C. Joint Ventures

The District participates in a joint venture under a joint powers agreement (JPA) with the Schools Insurance Authority. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. The JPA arranges for and/or provides coverage for its members.

The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

NOTE 14 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District contracted with Schools Insurance Authority (SIA) for property and liability insurance coverage and theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2017-2018, the District participated in the Schools Insurance Authority (SIA), insurance purchasing pool. The intent of the SIA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SIA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SIA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SIA. Participation in the SIA is limited to districts that can meet the SIA selection criteria.

NOTE 15 - RESTATEMENT OF NET POSITION

The amount previously reported as Governmental Activities Net Position at June 30, 2017 on the Statement of Net Position has been restated due to implementing GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* (OPEB). The June 30, 2017 Net Position was restated by a decrease of $305,652 to recognize the net effect resulting from the change in OPEB liability. Financial information for fiscal year 2017 was not restated because the necessary actuarial information was not available.

	Government-Wide Financial Statements
Net Position, June 30, 2017 as originally reported	$ 5,435,037
Change in accounting principle: GASB 75 adjustment	(305,652)
Net Position, June 30, 2017 as restated	$ 5,129,385

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 6, 2018, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

PLACERVILLE UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			
	Original	Final	Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
REVENUES				
Local Control Funding Formula Sources:				
State Apportionments	$ 6,916,803	$ 6,680,402	$ 6,650,881	$ (29,521)
Local Sources	3,632,704	3,903,363	3,933,189	29,826
Total Local Control Funding Formula Sources	10,549,507	10,583,765	10,584,070	305
Federal Revenue	549,700	550,037	549,308	(729)
Other State Revenue	831,026	1,198,009	1,197,928	(81)
Other Local Revenue	722,969	706,134	704,417	(1,717)
Total Revenues	12,653,202	13,037,945	13,035,723	(2,222)
EXPENDITURES				
Certificated Salaries	5,238,116	5,363,556	5,362,137	1,419
Classified Salaries	2,239,195	2,262,463	2,262,019	444
Employee Benefits	2,701,537	2,836,838	2,828,306	8,532
Books and Supplies	688,747	693,509	670,414	23,095
Services and Other Operating Expenditures	1,300,545	1,293,416	1,264,065	29,351
Capital Outlay	419,915	633,037	574,437	58,600
Other Outgo	185,183	280,801	280,124	677
Total Expenditures	12,773,238	13,363,620	13,241,502	122,118
Excess of Revenues Over (Under) Expenditures	(120,036)	(325,675)	(205,779)	119,896
Other Financing Sources (Uses):				
Operating Transfers Out	(83,190)	(83,190)	(83,190)	0
Excess of Revenues Over (Under) Expenditures and Other Uses	(203,226)	(408,865)	(288,969)	119,896
Fund Balances - July 1, 2017	3,353,381	3,437,757	3,437,757	0
Fund Balances - June 30, 2018	$ 3,150,155	$ 3,028,892	$ 3,148,788	$ 119,896

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PLACERVILLE UNION SCHOOL DISTRICT
STATEMENT OF CHANGES IN THE DISTRICT'S TOTAL
OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2018*
Total OPEB Liability	$ 305,652
Changes Recognized for the Measurement Period:	
Service cost	19,759
Interest on the Total OPEB Liability	11,504
Changes of benefit terms	0
Difference between expected and actual experience	15,673
Changes of assumptions	(6,731)
Benefit payments	(27,387)
Net Change in Total OPEB Liability	12,818
Balance at June 30, 2017 (Measurement Date)	$ 318,470
Covered-Employee Payroll	$ 4,173,131
Total OPEB Liability as a Percentage of Covered-Employee Payroll	7.63%

* Historical information is required only for measurement periods for which GASB Statement 75 is applicable and/or benefits were offered. Future years' information will be displayed up to ten years as information becomes available. Fiscal year 2017-2018 was the first-year benefits were offered, therefore only one year is shown.

PLACERVILLE UNION SCHOOL DISTRICT

SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

California State Teachers' Retirement System (CalSTRS)

	2018	2017	2016	2015
District's proportion of the net pension liability	0.0010%	0.0097%	0.0102%	0.0100%
District's proportionate share of the net pension liability	$ 8,212,937	$ 7,820,329	$ 6,896,309	$ 5,843,700
State's proportionate share of the net pension liability associated with the District	5,450,340	4,452,630	3,602,641	3,578,583
Total	$ 13,663,277	$ 12,272,959	$ 10,498,950	$ 9,422,283
District's covered-employee payroll	$ 5,206,359	$ 4,982,125	$ 4,919,482	$ 4,880,485
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	177%	157%	140%	120%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	74%	77%

Public Employee Retirement System (CalPERS)

District's proportion of the net pension liability	0.0181%	0.0182%	0.0181%	0.0175%
District's proportionate share of the net pension liability	4,309,114	$ 3,599,548	$ 2,673,180	$ 1,986,676
District's covered-employee payroll	2,301,786	$ 2,165,941	$ 2,028,715	$ 1,828,002
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187%	166%	132%	109%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

SCHEDULES OF THE DISTRICT'S CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

California State Teachers' Retirement System (CalSTRS)

	2018	2017	2016	2015
Contractually required contribution	$ 752,992	$ 654,960	$ 534,582	$ 436,850
Contributions in relation to the contractually required contribution	(752,992)	(654,960)	(534,582)	(436,850)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0
District's covered-employee payroll	$ 5,218,240	$ 5,206,359	$ 4,982,125	$ 4,919,482
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%

Public Employee Retirement System (CalPERS)

	2018	2017	2016	2015
Contractually required contribution	$ 355,921	$ 319,672	$ 256,599	$ 238,800
Contributions in relation to the contractually required contribution	(355,921)	(319,672)	(256,599)	(238,800)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0
District's covered-employee payroll	$ 2,291,681	$ 2,301,786	$ 2,165,941	$ 2,028,715
Contributions as a percentage of covered-employee payroll	15.53%	13.89%	11.85%	11.77%

NOTE 1 - PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

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

The excess of expenditures over appropriations in individual governmental funds at June 30, 2018 are as follows:

Fund	Excess Expenditures
Non-Major Governmental Funds:	
Cafeteria Fund	
Food and Supplies	30,306
Building Fund	
Materials and Supplies	19,907

The District did not revise the budget for the fair market value of commodities received from the Federal government.

The District incurred unanticipated expenditures in the Building Fund for which the budget was not revised.

B. Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule will present the sources of changes in the net OPEB liability and the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability (if applicable), and the net OPEB liability as a percentage of covered-employee payroll.

This will be a 10-year schedule. Years will be added in future fiscal years until 10 years of information is available.

C. Schedules of the District's Proportionate Share of the Net Pension Liability

These schedules present information on the District's portion of the Net Pension Liability of CalSTRS and the Net Pension Liability of CalPERS in compliance with GASB 68. The amounts presented for each fiscal year were determined as of the measurement date that occurred on year prior.

These will be 10-year schedules. Years will be added to these schedules in future fiscal years until 10 years of information is available.

D. Schedules of the District's Pension Contributions

These schedules provide information about the District's required and actual contributions to CalSTRS and CalPERS during the year.

These will be 10-year schedules. Years will be added to these schedules in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION SECTION

PLACERVILLE UNION SCHOOL DISTRICT

PLACERVILLE, CALIFORNIA

JUNE 30, 2018

ORGANIZATION

The Placerville Union School District is located in Placerville, California. There were no changes in the District's boundaries during the year. The District currently operates two elementary schools and one middle school.

GOVERNING BOARD

Name	Office	Term Expires
Katherine Stabler	President	December, 2018
Sean Frame	Vice President	December, 2020
Christina Belmer	Clerk	December, 2018
Brian Sonner	Member	December, 2018
Misty diVittorio	Member	December, 2018

ADMINISTRATION

Eric Bonniksen
Superintendent

Jennifer Fusano
Chief Business Official

PLACERVILLE UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	(Revised) Second Period Report	Annual Report
Regular ADA		
Transitional Kindergarten through Third	555	557
Fourth through Sixth	447	448
Seventh and Eighth	211	211
Special Education - Nonpublic, Nonsectarian Schools		
Seventh and Eighth	2	2
ADA Totals	1,215	1,218

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

PLACERVILLE UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME OFFERED

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Grade Level	Minutes Requirement	2017-2018 Actual Minutes	Number of Days Traditional Calendar	Status
Transitional Kindergarten	36,000	60,460	180	In Compliance
Kindergarten	36,000	59,560	180	In Compliance
Grade 1	50,400	52,440	180	In Compliance
Grade 2	50,400	52,440	180	In Compliance
Grade 3	50,400	52,440	180	In Compliance
Grade 4	54,000	54,100	180	In Compliance
Grade 5	54,000	54,100	180	In Compliance
Grade 6	54,000	59,350	180	In Compliance
Grade 7	54,000	59,350	180	In Compliance
Grade 8	54,000	59,350	180	In Compliance

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has not met its local control funding formula target.

Districts that participate in Longer Day Incentive Funding or that met or exceed their local control funding formula target, must provide at least the number of instructional minutes specified in Education Code Section 46201(b) or 46207(a), shown as the minutes requirement above.

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. There were no charter schools in the Placerville Union School District.

PLACERVILLE UNION SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Program Name:	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Donated Food Commodities	10.555*	N/A	$ 32,344
Passed through the California Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch	10.555*	13523/13524	301,930
School Breakfast Needy	10.553*	13526	79,736
Subtotal Child Nutrition Cluster			414,010
Passed through the El Dorado County Office of Education:			
Forest Reserve Funds	10.665	10044	26,354
Total U.S. Department of Agriculture			440,364
US. Department of Education:			
Passed through the El Dorado County Office of Education:			
Special Education Cluster:			
IDEA: Special Education Basic Local Assistance, Part B, Section 611	84.027	13379	88,325
Subtotal Special Education Cluster			88,325
Passed through the CDE			
English Language Acquisition Cluster:			
ESEA (ESSA): Title III, Limited English Proficient (LEP) Student Program	84.365	14346	21,313
ESEA (ESSA): Title III, Immigrant Education Program	84.365	15146	46
Subtotal English Language Acquisition Cluster			21,359
ESEA (ESSA): Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	329,295
ESEA (ESSA): Title II, Part A, Supporting Effective Instruction	84.367	14341	36,800
ESEA (ESSA): Title X, McKinney-Vento Homeless Assistance	84.196	14332	19,611
Total U.S. Department of Education			495,390
U.S. Department of Health and Human Services:			
Passed through California Department of Health Care Services:			
Title XIX Medicaid Cluster:			
Medi-cal Billing Option	93.778	10013	7,774
Medi-cal Assistance Program (MAA)	93.778	10060	36,703
Subtotal Title XIX, Medicaid Cluster			44,477
Total U.S. Department of Health and Human Services			44,477
Total Federal Programs			$ 980,231

* Identification of Major Program.

SEE NOTES TO SUPPLEMENTARY INFORMATION

RECONCILIATION OF UNAUDITED ACTUALS FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Deferred Maintenance Fund	Pupil Transportation Fund	Building Fund
June 30, 2018, Annual Unaudited Actual Financial Report Fund Balance	$ 2,571,691	$ 554,336	$ 22,761	$ 66,149
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:				
To conform with GAAP, activity reported separately by the District in certain Special Revenue Funds is reported in the General Fund in these financial statements.	577,097	(554,336)	(22,761)	
Understatement of Materials/Supplies Expenditures				(19,907)
Net Adjustments and Reclassifications	577,097	(554,336)	(22,761)	(19,907)
June 30, 2018, Audited Financial Statement Fund Balance	$ 3,148,788	$ 0	$ 0	$ 46,242

Auditor's Comments

The District did not file an Annual Unaudited Actual Financial Report for the Debt Service Fund. The audited financial statements of all other funds were in agreement with the Unaudited Actual Financial Report for the year ended June 30, 2018.

PLACERVILLE UNION SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

General Fund	Budget 2018-2019	2017-2018	2016-2017	2015-2016
Revenues and Other Financial Sources	$ 13,142,124	$ 13,035,723	$ 13,624,187	$ 12,947,681
Expenditures	13,058,182	13,241,502	13,002,785	11,710,700
Other Uses and Transfers Out	83,190	83,190	419,850	134,137
Total Outgo	13,141,372	13,324,692	13,422,635	11,844,837
Change in Fund Balance (Decrease)	752	(288,969)	201,552	1,102,844
Ending Fund Balance	$ 3,149,540	$ 3,148,788	$ 3,437,757	$ 3,236,205
Available Reserves	$ 1,432,621	$ 1,379,938	$ 1,405,510	$ 1,252,935
Reserve for Economic Uncertainties	$ 650,000	$ 670,000	$ 665,000	$ 597,000
Unassigned Fund Balance	$ 782,621	$ 709,938	$ 740,510	$ 655,935
Available Reserves as a Percentage of Total Outgo	10.9%	10.4%	10.5%	10.6%
Total Long-Term Debt	$ 20,974,905	$ 21,457,405	$ 19,695,858	$ 17,745,018
Average Daily Attendance at P-2	1,206	1,215	1,231	1,233

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

The General Fund balance has increased by $1,015,427 over the past three years. Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties in the General Fund. For a District this size the State recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt increased $3,712,387 during the past two years, mainly due to the issuance of general obligation bonds in 2016-2017 and the annual increase in the District’s proportionate share of the net pension liability.

Average Daily Attendance (ADA) has decreased by 18 during the past two years.

The amounts presented as Budget 2018-2019 are provided for additional analysis and have not been audited.

PLACERVILLE UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
JUNE 30, 2018

	Cafeteria Fund	Bond Interest and Redemption Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
ASSETS							
Cash	$ 158,913	$ 559,736	$ 66,149	$ 155,669	$ 367,065	$ 550,353	$ 1,857,885
Accounts Receivable	3,980						3,980
Total Assets	$ 162,893	$ 559,736	$ 66,149	$ 155,669	$ 367,065	$ 550,353	$ 1,861,865
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	$ 2,824		$ 19,907				$ 22,731
Total Liabilities	2,824		19,907				22,731
Fund Balances:							
Nonspendable	50						50
Restricted	160,019	$ 559,736	46,242	$ 155,669	$ 367,065		1,288,731
Assigned						$ 550,353	550,353
Total Fund Balances	160,069	559,736	46,242	155,669	367,065	550,353	1,839,134
Total Liabilities and Fund Balances	$ 162,893	$ 559,736	$ 66,149	$ 155,669	$ 367,065	$ 550,353	$ 1,861,865

PLACERVILLE UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Cafeteria Fund	Bond Interest and Redemption Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
REVENUES							
Federal Revenue	$ 414,010						$ 414,010
Other State Revenue	29,667						29,667
Other Local Revenue	103,877	$ 612,820	$ 87,847	$ 57,771	$ 53	$ 6,212	868,580
Total Revenues	547,554	612,820	87,847	57,771	53	6,212	1,312,257
EXPENDITURES							
Classified Salaries	174,451						174,451
Employee Benefits	63,365						63,365
Books and Supplies	271,332		132,962	4,119			408,413
Services and Other							
Operating Expenditures	35,617			3,810			39,427
Capital Outlay	4,779						4,779
Debt Service:							
Principal Retirement		455,000					455,000
Interest and Fiscal Charges		116,344					116,344
Other Outgo	15,000						15,000
Total Expenditures	564,544	571,344	132,962	7,929	0	0	1,276,779
Excess of Revenues Over (Under) Expenditures	(16,990)	41,476	(45,115)	49,842	53	6,212	35,478
Other Financing Sources (Uses):							
Operating Transfers Out				(28,694)			(28,694)
Excess of Revenues Over (Under) Expenditures and Other Uses	(16,990)	41,476	(45,115)	21,148	53	6,212	6,784
Fund Balances - July 1, 2017	177,059	518,260	91,357	134,521	367,012	544,141	1,832,350
Fund Balances - June 30, 2018	$ 160,069	$ 559,736	$ 46,242	$ 155,669	$ 367,065	$ 550,353	$ 1,839,134

PLACERVILLE UNION SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS – STUDENT BODY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Balances	Additions	Deductions	Ending Balances
Sierra Elementary School				
ASSETS				
Cash	$ 54,006	$ 34,154	$ 26,484	$ 61,676
LIABILITIES				
Due to Student Groups	$ 54,006	$ 34,154	$ 26,484	$ 61,676
Louisiana Schnell Elementary School				
ASSETS				
Cash	$ 46,718	$ 35,275	$ 35,503	$ 46,490
LIABILITIES				
Due to Student Groups	$ 46,718	$ 35,275	$ 35,503	$ 46,490
Edwin Markham Middle School				
ASSETS				
Cash	$ 33,607	$ 36,556	$ 38,382	$ 31,781
LIABILITIES				
Due to Student Groups	$ 33,607	$ 36,556	$ 38,382	$ 31,781
Total Agency Funds				
ASSETS				
Cash	$ 134,331	$ 105,985	$ 100,369	$ 139,947
LIABILITIES				
Due to Student Groups	$ 134,331	$ 105,985	$ 100,369	$ 139,947

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46208. The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day, and has not met its local control funding formula target.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

D. 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 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). The amount of Federal revenue reported in the financial statements is $16,913 less than the total Federal expenditures due to revenue recognition differences in the Medicaid Cluster of programs. The District has not used the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

E. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the Unaudited Actual Financial Report to the audited financial statements.

F. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

G. Combining Statements and Individual Fund Schedules

Combining statements and individual fund schedules are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the District's individual funds.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

Michelle M. Hanson
Certified Public Accountant

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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
Placerville Union School District
Placerville, California

I 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 Placerville Union School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Placerville Union School District's basic financial statements and have issued my report thereon dated December 6, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Placerville Union School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Placerville Union School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Placerville Union School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002 and 2018-003 that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Placerville Union School District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Placerville Union School District's Responses to Findings

Placerville Union School District's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. Placerville Union School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

MICHELLE M. HANSON
Certified Public Accountant

December 6, 2018

Michelle M. Hanson
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Placerville Union School District
Placerville, California

Report on Compliance for Each Major Federal Program

I have audited Placerville Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Placerville Union School District's major federal programs for the year ended June 30, 2018. Placerville Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Placerville Union School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Placerville Union School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Placerville Union School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Placerville Union School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Placerville Union School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Placerville Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Placerville Union School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in the internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

MICHELLE M. HANSON
Certified Public Accountant

December 6, 2018

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

Board of Trustees
Placerville Union School District
Placerville, California

I have audited Placerville Union School District's compliance with the types of compliance requirements described in the *2017-2018 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of Placerville Union School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations.

Auditor's Responsibility

My responsibility is to express an opinion on compliance with State laws and regulations of Placerville Union School District's State government programs based on my audit of the types of compliance requirements referred to below. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the applicable State laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Placerville Union School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion. However, my audit does not provide a legal determination of Placerville Union School District's compliance with those requirements.

In connection with the audit referred to above, I selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see next page)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort (MOE)	Not Applicable
Apprenticeship: Related and Supplemental Instruction	Not Applicable

Description	Procedures Performed
School Districts, County Office of Education and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Non-Classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non-Classroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Procedures were not performed for Independent Study attendance because the average daily attendance generated by the program was below the level required for testing.

Opinion on Each State Government Program

In my opinion, Placerville Union School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its State government programs for the year ended June 30, 2018.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of my testing of compliance and the results of that testing based on the requirements of the *2017-2018 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

MICHELLE M. HANSON
Certified Public Accountant

December 6, 2018

FINDINGS AND QUESTIONED COSTS SECTION

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___Yes	_x_ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_x_ Yes	___ None reported
Noncompliance material to financial statements noted?	___ Yes	_x_ No

Federal Awards

Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	_x_ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes	_x_ None reported
Type of auditor's report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	___ Yes	_x_ No

Identification of major programs

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	_x_ Yes	___ No

State Awards

Internal control over state programs:		
Material weakness(es) identified?	___ Yes	_x_ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes	_x_ None reported
Type of auditor's report issued on compliance for state programs:	Unmodified	

Section II - Financial Statements Findings

2018 - 001 - PURCHASES AND CASH DISBURSEMENTS - 30000

Criteria: Sound accounting practices require the retention of all documentation for support of District expenditures including documented approval by an authorized District employee occurring prior to the purchase being made, confirmation goods and services were received, inspected and conform to District use, and an itemized invoice from the vendor.

Statement of Condition: During testing of internal controls over purchases and cash disbursements, it was noted there is inconsistent evidence retained showing purchases were approved by an authorized employee prior to being made. Purchases made using an open purchase order should be reviewed and approved for payment by an authorized District employee. Additionally, there is no uniform practice on how the receipt of goods and services should be documented, specifically the employee receiving the goods is not signing to indicate a count has been conducted and whether or not the order was complete.

Cause: Established practices do not appear to have been followed during the current fiscal year.

Effect or Potential Effect: Lack of proper prior authorization and documentation of this authorization for purchases limits management's control over expenditures and creates an environment where unauthorized disbursements may be made and not detected. Insufficient controls over the receiving function could result in the District paying for goods and services not received.

Questioned Costs: The conditions referred to above were the result of tests of attributes of the control system. There are no questioned costs.

Recommendation: The District should enforce policies to include the requirement for and documentation of all purchases being approved in advance by an authorized District official, and an appropriate process for receiving goods purchased.

View of Responsible Official: The District agrees with this finding and is in the process of updating internal controls.

2018 - 002 - PAYROLL DISBURSEMENTS - 30000

Criteria: Sound payroll practices include the maintenance of complete and accurate records of the hours worked or not worked by employees.

Statement of Condition: During testing of internal controls over payroll transactions it was identified the District was correctly applying a rate of 1.5 to compensation time prior to putting it into the "bank" but was incorrectly rounding up to the next quarter hour.

Section II - Financial Statements Findings (Continued)

2018 - 002 - PAYROLL DISBURSEMENTS – 30000 (CONCLUDED)

Cause: The thought had been that because the time was required to be used in quarter hour increments, only quarter hour increments could be added.

Effect or Potential Effect: The District has been over crediting an employee's bank of compensation time by .125 when an employee had worked x.25 or x.75 hours.

Questioned Costs: Based on review of employees in positions allowed to accumulate compensation time rather than being paid for the overtime hours immediately and the frequency in which .25 or .75 hours were worked, it is not expected to have resulted in material questioned costs.

Recommendation: The practice of rounding up banked compensation time hours to the nearest quarter hour should be stopped and the resulting .125 and .375 hours should be added to the bank and may be used in quarter hour increments until used or otherwise paid out.

View of Responsible Official: The District agrees with this finding and has stopped this practice. Compensation time is being accumulated in the increments earned.

2018 - 003 -ASSOCIATED STUDENT BODY (ASB)-CASH RECEIPTS - 30000

Criteria: Sound cash management procedures including the internal control procedures for handling cash from the time the cash is collected to the time it is deposited into the ASB bank account discourage theft of ASB funds and protect those who handle the cash. Cash receipt control procedures provide evidence that the cash was handled appropriately. Without this evidence, those involved in ASB will not have the information to prove fraud did or did not occur.

Statement of Condition: During testing of the internal controls over ASB account cash receipts it was noted there is insufficient documentation showing proceeds from fund raisers are being reconciled to the actual goods/services sold or donations provided and there were payments (cash and checks) received by District employees more than one month prior to being deposited.

Cause: There do not appear to be sufficient cash control procedures at the time the fundraising event is held and the cash and checks are initially collected to when the receipts are turned into the site secretary to deposit to the bank account.

Section II - Financial Statements Findings (Concluded)

2018 - 003 -ASSOCIATED STUDENT BODY (ASB)-CASH RECEIPTS - 30000

Effect or Potential Effect: Without a reconciliation, there is a lack of documentation to support the deposit totals and also the timeliness of the deposit. The retention of cash and checks by District employees in places other than a safe or bank account limits management's control over funds received and facilitates an environment where misappropriation of assets may occur and go undetected. The longer the funds are held on site, the greater the risk the funds will not be available when presented to the bank resulting in returned checks and bank fees that may not be collectible.

Questioned Costs: There are no questioned costs as a result of this finding.

Recommendation: Cash control procedures should be implemented that include a record of the items sold, fees collected, services provided or donations received and the amount for each. At the end of the day or event, the number of items sold, fees collected, services provided or donations received should be reconciled with the amount received and significant differences should be reported on the reconciliation document. Money received by any District employee should be secured and turned in for deposit at least weekly.

View of Responsible Official: The District agrees with this finding and is in the process of updating internal controls.

Section III - Federal Award Findings and Questioned Costs

No matters are reported.

Section IV - State Award Findings and Questioned Costs

No matters are reported.

STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

JUNE 30, 2018

There were no findings or recommendations considered reportable conditions determined as a result of our audit of Placerville Union School District for the year ended June 30, 2017.