

**PINER-OLIVET UNION ELEMENTARY
SCHOOL DISTRICT
COUNTY OF SONOMA
SANTA ROSA, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2018

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2018

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Piner-Olivet Union Elementary School District
Santa Rosa, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Emphasis of Matter

As described in Note 1B to the financial statements, in fiscal year 2017-18, the District adopted new accounting guidance, Governmental Accounting Standard Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the budgetary comparison information on pages 61-63, schedule of changes in total OPEB liability and related ratios on page 64, schedules of the proportionate share of the net pension liabilities on pages 65 and 66, and schedules of contributions on pages 67 and 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Piner-Olivet Union Elementary School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is 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 supplementary information listed in the table of contents 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.

Other Matters (Concluded)

Other Information (Concluded)

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 on our consideration of the Piner-Olivet Union Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Piner-Olivet Union Elementary School District's 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 Piner-Olivet Union Elementary School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2018

**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

This section of Piner-Olivet Union Elementary School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 22, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as an agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- During fiscal year 2017-18, the District implemented Governmental Accounting Standard Board Statement No. 75 (GASB 75), which changed the financial reporting for other post employment benefits (OPEB). The new standard requires the District to report the total OPEB liability on the Statement of Net Position.
- The District's overall financial status improved over the course of the year, as total net position increased 41.4%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$2,670,956.
- Net capital assets, excluding the loss from the disposition of capital assets, decreased \$701,818, due to the current year addition of \$462,515 of new capital assets and improvements, and the current year recognition of \$1,164,333 of depreciation expense.
- Total long-term liabilities decreased \$63,135.
- The District's average daily attendance (ADA), inclusive of Olivet Elementary Charter School ADA and Morrice Schaefer Charter School ADA, decreased from 1,046 ADA in fiscal year 2016-17, down to 1,008 ADA in fiscal year 2017-18, a decrease of 38 ADA or 3.6%.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 4% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2017-18, total General Fund expenditures and other financing uses totaled \$13,432,399. At June 30, 2018, the District had available reserves of \$2,499,529 in the General Fund, which represents a reserve of 18.6%.

**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and management's discussion and analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

Reporting the District as a Whole

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health (net position) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the Statement of Net Position and the Statement of Activities all amounts presented represent governmental activities, since the District does not provide any services that should be categorized as business-type activities.

The basic services provided by the District, such as regular and special education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition are also included here, but are financed by a combination of state and federal programs and local revenues.

Reporting the District's Most Significant Funds

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District's Most Significant Funds (Concluded)

The major governmental funds of the Piner-Olivet Union Elementary School District are the General Fund, Piner-Olivet Charter School Fund, Northwest Prep at Piner-Olivet Fund, Bond Interest and Redemption Fund, and Capital Facilities Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting 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. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

<u>Comparative Statement of Net Position</u>		
	Governmental Activities	
	2017	2018
<u>Assets</u>		
Deposits and Investments	\$ 7,831,873	\$ 9,385,145
Receivables	1,533,988	2,100,046
Prepaid Expenses	1,175	1,175
Capital Assets, net	29,845,604	29,142,997
Total Assets *	<u>39,212,640</u>	<u>40,629,363</u>
<u>Deferred Outflows of Resources</u>		
Pension Deferrals	2,992,069	4,393,650
<u>Liabilities</u>		
Current	3,718,777	3,491,953
Long-term *	30,810,574	30,737,036
Total Liabilities *	<u>34,529,351</u>	<u>34,228,989</u>
<u>Deferred Inflows of Resources</u>		
OPEB Deferrals		19,776
Pension Deferrals	1,217,746	1,645,680
Total Deferred Inflows of Resources	<u>1,217,746</u>	<u>1,665,456</u>
<u>Net Position</u>		
Net Investment in Capital Assets	18,743,315	18,600,813
Restricted (Deficit)	(4,303,235)	(2,435,865)
Unrestricted (Deficit) *	<u>(7,982,468)</u>	<u>(7,036,380)</u>
Total Net Position *	<u>\$ 6,457,612</u>	<u>\$ 9,128,568</u>
<i>Table includes financial data of the combined governmental funds</i>		
<i>* The amounts presented for fiscal year 2016-17 have been adjusted to reflect the restatement discussed in Note 16</i>		

**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

The restricted deficit balance, presented on the previous page, primarily reflects that the obligation for accumulated accreted interest on the District's outstanding capital appreciation bonds currently exceeds the amount available in the Bond Interest and Redemption Fund.

The unrestricted deficit balance, presented on the previous page, is due primarily to the fact that the District is now required to record a liability in the financial statements to reflect the District's total OPEB liability and the proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

The District's total current year revenues exceeded total current year expenses by \$2,670,956.

<u>Comparative Statement of Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2018</u>
<u>Program Revenues</u>		
Charges for Services	\$ 87,030	\$ 110,459
Operating Grants & Contributions	2,204,663	2,147,885
<u>General Revenues</u>		
Taxes Levied	7,221,119	7,429,072
Federal & State Aid	8,788,020	8,684,271
Other Revenues	1,132,221	2,745,606
Total Revenues	<u>19,433,053</u>	<u>21,117,293</u>
<u>Expenses</u>		
Instruction	11,612,274	11,548,462
Instruction-Related Services	1,430,988	1,649,025
Pupil Services	1,460,079	1,480,379
General Administration	1,100,470	1,078,923
Plant Services	1,251,306	1,709,264
Other Expenses	1,035,028	980,284
Total Expenses	<u>17,890,145</u>	<u>18,446,337</u>
Changes in Net Position	<u>\$ 1,542,908</u>	<u>\$ 2,670,956</u>

Table includes financial data of the combined governmental funds

**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

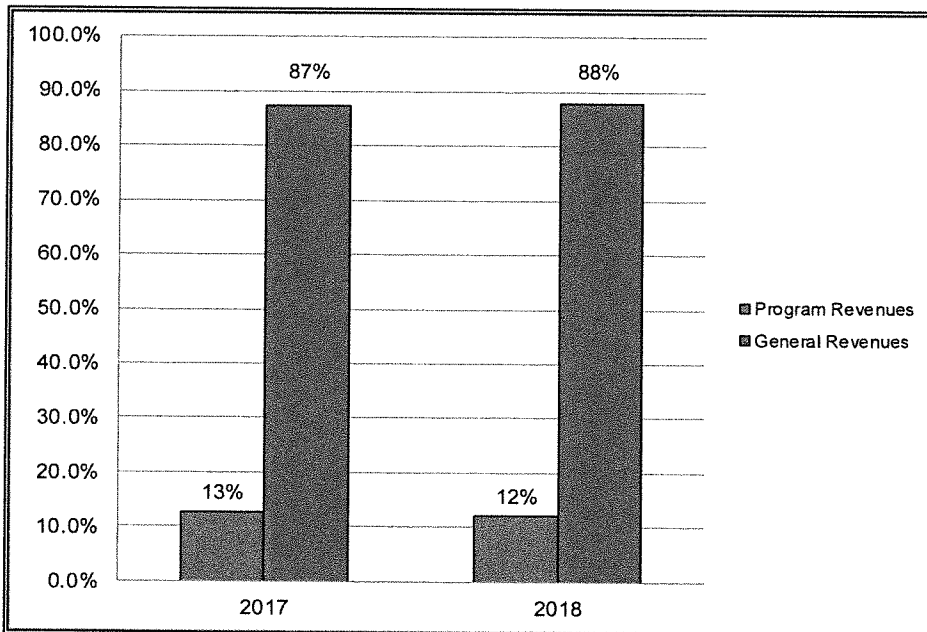
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

The table below presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$16,187,993 net cost shows the financial burden that was placed on the District's general revenues for providing the services listed below.

	Total Cost of Services		Net Cost of Services	
	2017	2018	2017	2018
Instruction	\$ 11,612,274	\$ 11,548,462	\$ 10,257,820	\$ 10,091,870
Instruction-Related Services	1,430,988	1,649,025	1,362,651	1,587,013
Pupil Services	1,460,079	1,480,379	983,402	1,142,946
General Administration	1,100,470	1,078,923	1,074,881	1,027,333
Plant Services	1,251,306	1,709,264	884,670	1,407,446
Other Expenses	1,035,028	980,284	1,035,028	931,385
Totals	\$ 17,890,145	\$ 18,446,337	\$ 15,598,452	\$ 16,187,993

Table includes financial data of the combined governmental funds

During 2017-18, program revenues financed 12% of the total cost of providing the services listed above, while the remaining 88% was financed by the general revenues of the District.



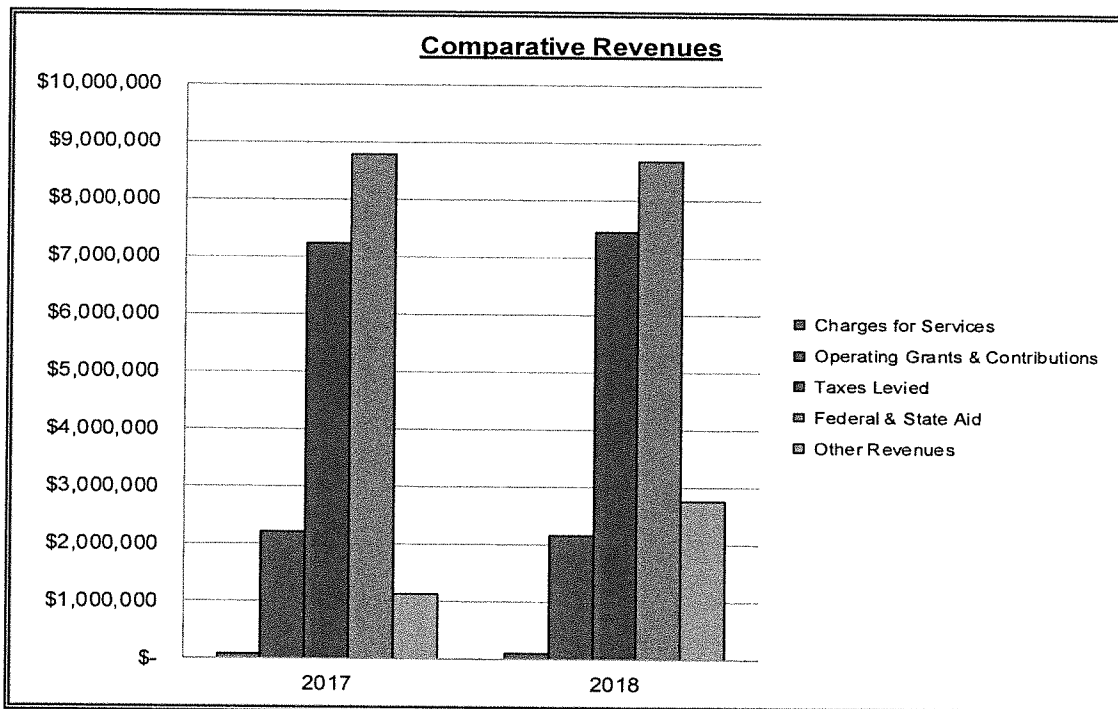
**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

<u>Schedule of Revenues For Governmental Functions</u>				
	<u>FYE 2017</u>	<u>Percent of</u>	<u>FYE 2018</u>	<u>Percent of</u>
	<u>Amount</u>	<u>Total</u>	<u>Amount</u>	<u>Total</u>
<u>Program Revenues</u>				
Charges for Services	\$ 87,030	0.45%	\$ 110,459	0.52%
Operating Grants & Contributions	2,204,663	11.34%	2,147,885	10.17%
<u>General Revenues</u>				
Taxes Levied	7,221,119	37.16%	7,429,072	35.18%
Federal & State Aid	8,788,020	45.22%	8,684,271	41.12%
Other Revenues	1,132,221	5.83%	2,745,606	13.00%
Total Revenues	<u>\$ 19,433,053</u>	<u>100.00%</u>	<u>\$ 21,117,293</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds



**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

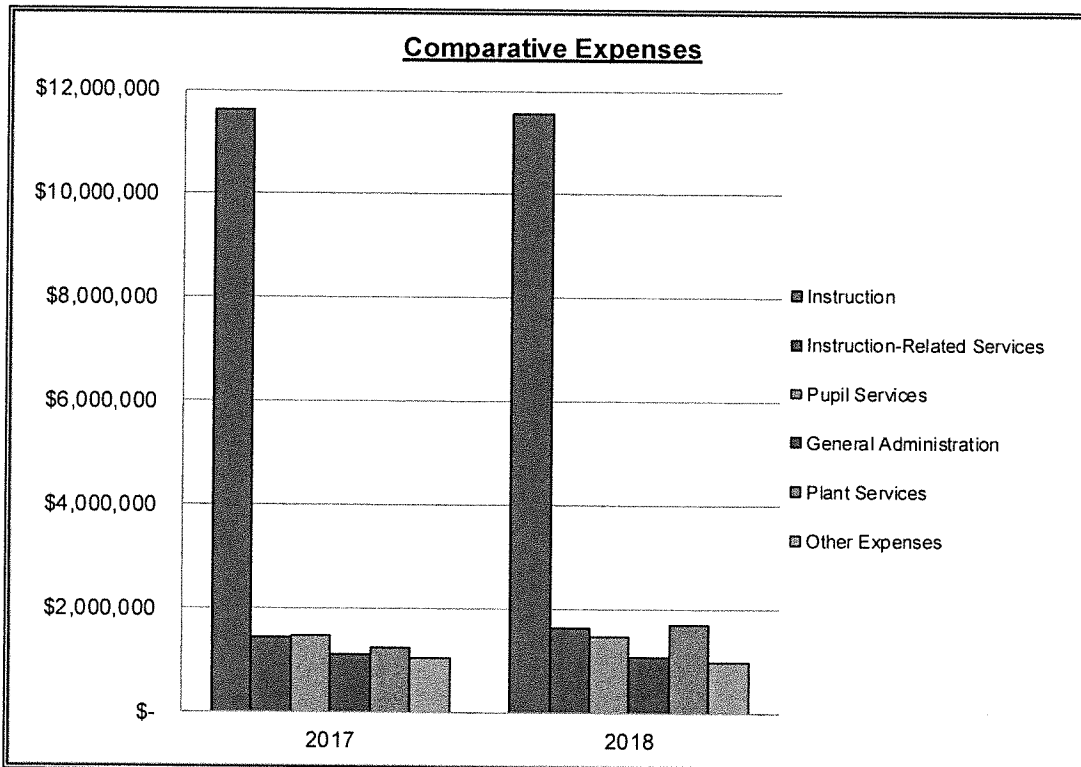
(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Schedule of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2017 Amount</u>	<u>Percent of Total</u>	<u>FYE 2018 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 11,612,274	64.91%	\$ 11,548,462	62.61%
Instruction-Related Services	1,430,988	8.00%	1,649,025	8.94%
Pupil Services	1,460,079	8.16%	1,480,379	8.03%
General Administration	1,100,470	6.15%	1,078,923	5.85%
Plant Services	1,251,306	6.99%	1,709,264	9.27%
Other Expenses	1,035,028	5.79%	980,284	5.31%
Total Expenses	\$ 17,890,145	100.00%	\$ 18,446,337	100.00%

Table includes financial data of the combined governmental funds



**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONCLUDED)

<u>Comparative Schedule of Capital Assets</u>		
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2018</u>
Land	\$ 2,692,200	\$ 2,692,200
Sites and Improvements	6,729,267	6,758,281
Buildings and Improvements	32,546,518	34,718,537
Furniture and Equipment	970,572	949,001
Construction-in-Progress	1,765,043	0
Subtotals	<u>44,703,600</u>	<u>45,118,019</u>
Less: Accumulated Depreciation	<u>(14,857,996)</u>	<u>(15,975,022)</u>
Capital Assets, net	<u>\$ 29,845,604</u>	<u>\$ 29,142,997</u>

Net capital assets, excluding the loss from the disposition of capital assets, decreased \$701,818, due to the current year addition of \$462,515 of new capital assets and improvements, and the current year recognition of \$1,164,333 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2018</u>
Compensated Absences	\$ 82,977	\$ 58,379
General Obligation Bonds	18,327,267	17,273,051
Early Retirement Incentives	360,000	127,500
Total OPEB Liability *	1,270,663	1,177,930
Net Pension Liabilities	<u>12,721,617</u>	<u>14,062,529</u>
Totals *	<u>\$ 32,762,524</u>	<u>\$ 32,699,389</u>

* The amounts presented for fiscal year 2016-17 have been adjusted to reflect the restatement discussed in Note 16

Total long-term liabilities decreased \$63,135. The general obligation bonds are financed by the local taxpayers and represent 53% of the District's total long-term liabilities. The District has satisfied all debt service requirements on its bonded debt and continues to maintain an excellent credit rating on its debt issues. The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

The fund balance of the General Fund increased \$902,848, and the combined fund balances of all other District governmental funds increased \$1,452,145.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its annual budget to reflect unexpected changes in revenues and expenditures. The budget adjustments made during the year 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.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The employer contribution rates for CalSTRS and CalPERS will continue to increase on an annual basis for the foreseeable future. In addition, the economy has finished its ninth year of expansion, lasting four years longer than the average recovery. The Governor and Department of Finance continue to urge the Legislature and local governments, including local education agencies, to plan for the next recession.

Accordingly, the District's budget should continue to be managed with a great degree of conservatism over the next few years.

The District has experienced significant enrollment loss due to the October 2017 wildfires and may experience more loss.

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 regarding this report or need additional financial information, contact the Piner-Olivet Union Elementary School District, 3450 Coffey Lane, Santa Rosa, California, 95403.

BASIC FINANCIAL STATEMENTS

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 9,385,145
Receivables (Note 3)	2,100,046
Prepaid Expenses (Note 11)	1,175
Capital Assets, Not Depreciated (Note 5)	2,692,200
Capital Assets, Net of Accumulated Depreciation	26,450,797
Total Assets	40,629,363
<u>Deferred Outflows of Resources</u>	
Pension Deferrals (Note 9)	4,393,650
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	1,324,763
Accrued Interest Payable	164,795
Unearned Revenue (Note 11)	40,042
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 11)	58,379
General Obligation Bonds (Note 6)	
Current Interest	125,000
Capital Appreciation	1,675,000
Bond Premium (Note 11)	6,474
Early Retirement Incentives (Note 7)	97,500
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 6)	
Current Interest	7,325,000
Capital Appreciation	8,018,038
Bond Premium (Note 11)	123,539
Early Retirement Incentives (Note 7)	30,000
Total OPEB Liability (Note 8)	1,177,930
Net Pension Liabilities (Note 9)	14,062,529
Total Liabilities	34,228,989
<u>Deferred Inflows of Resources</u>	
OPEB Deferrals (Note 8)	19,776
Pension Deferrals (Note 9)	1,645,680
Total Deferred Inflows of Resources	1,665,456
<u>Net Position</u>	
Net Investment in Capital Assets	18,600,813
Restricted:	
For Capital Projects	1,778,312
For Debt Service (Deficit)	(4,710,382)
For Educational Programs	486,690
For Other Purposes	9,515
Unrestricted (Deficit)	(7,036,380)
Total Net Position	\$ 9,128,568

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<u>Governmental Activities</u>					
Instruction	\$ 11,548,462	\$ 32,639	\$ 1,423,953		\$ (10,091,870)
Instruction-Related Services:					
Supervision of Instruction	249,777	2,279	26,775		(220,723)
Instructional Library and Technology	92,995				(92,995)
School Site Administration	1,306,253		32,958		(1,273,295)
Pupil Services:					
Home-to-School Transportation	359,149	56	426		(358,667)
Food Services	417,866	57,210	213,034		(147,622)
Other Pupil Services	703,364	6,114	60,593		(636,657)
General Administration:					
Data Processing Services	6,024				(6,024)
Other General Administration	1,072,899	1,809	49,781		(1,021,309)
Plant Services	1,709,264		301,818		(1,407,446)
Interest on Long-Term Debt	979,495				(979,495)
Other Outgo	789	10,352	38,547		48,110
Total Governmental Activities	\$ 18,446,337	\$ 110,459	\$ 2,147,885	\$ 0	(16,187,993)
<u>General Revenues</u>					
Taxes Levied for General Purposes					5,320,113
Taxes Levied for Debt Service					2,108,957
Taxes Levied for Specific Purposes					2
Federal and State Aid - Unrestricted					8,684,271
Interest and Investment Earnings					104,501
Transfers from Other Agencies					458,673
Miscellaneous					2,182,432
Total General Revenues					18,858,949
Change in Net Position					2,670,956
Net Position - July 1, 2017 (As Restated - Note 16)					6,457,612
Net Position - June 30, 2018					\$ 9,128,568

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General</u>	<u>Piner-Olivet Charter School</u>	<u>Northwest Prep at Piner-Olivet</u>
<u>Assets</u>			
Deposits and Investments (Note 2)	\$ 4,683,566	\$ 432,150	\$ 425,169
Receivables (Note 3)	1,449,542	89,779	82,386
Due from Other Funds (Note 4)	132,697		8,886
Prepaid Expenditures (Note 1I)	1,175		
Total Assets	<u>\$ 6,266,980</u>	<u>\$ 521,929</u>	<u>\$ 516,441</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ 1,076,880	\$ 212,028	\$ 26,652
Due to Other Funds (Note 4)	9,688		
Unearned Revenue (Note 1I)	37,882		2,160
Total Liabilities	<u>1,124,450</u>	<u>212,028</u>	<u>28,812</u>
Fund Balances: (Note 11)			
Nonspendable	3,175	2,500	1,250
Restricted	268,952	29,083	188,655
Committed	1,436,830		
Assigned	934,044		
Unassigned	2,499,529	278,318	297,724
Total Fund Balances	<u>5,142,530</u>	<u>309,901</u>	<u>487,629</u>
Total Liabilities and Fund Balances	<u>\$ 6,266,980</u>	<u>\$ 521,929</u>	<u>\$ 516,441</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

<u>Bond Interest and Redemption</u>	<u>Capital Facilities</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,184,384	\$ 1,370,609 412,126 2	\$ 289,267 66,213 800	\$ 9,385,145 2,100,046 142,385 1,175
<u>\$ 2,184,384</u>	<u>\$ 1,782,737</u>	<u>\$ 356,280</u>	<u>\$ 11,628,751</u>
	\$ 4,425	\$ 4,778 132,697	\$ 1,324,763 142,385 40,042
	<u>4,425</u>	<u>137,475</u>	<u>1,507,190</u>
\$ 2,184,384	1,778,312	2,000 1,486 215,319	8,925 4,450,872 1,436,830 1,149,363 3,075,571
<u>2,184,384</u>	<u>1,778,312</u>	<u>218,805</u>	<u>10,121,561</u>
<u>\$ 2,184,384</u>	<u>\$ 1,782,737</u>	<u>\$ 356,280</u>	<u>\$ 11,628,751</u>

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balances - Governmental Funds \$ 10,121,561

Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:

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 and accumulated depreciation are:

Capital Assets	\$ 45,118,019	
Accumulated Depreciation	(15,975,022)	
Net		29,142,997

Deferred outflows and inflows of resources related to other post employment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported. The net of deferred outflows and inflows was: (19,776)

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. The net of deferred outflows and inflows was: 2,747,970

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:

Compensated Absences	58,379	
General Obligation Bonds	17,273,051	
Early Retirement Incentives	127,500	
Total OPEB Liability	1,177,930	
Net Pension Liabilities	14,062,529	
Total		(32,699,389)

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 statements of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owed at the end of the period was: (164,795)

Total Net Position - Governmental Activities \$ 9,128,568

**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>Piner-Olivet Charter School</u>	<u>Northwest Prep at Piner-Olivet</u>
<u>Revenues</u>			
LCFF Sources:			
State Apportionment / Transfers	\$ 6,868,288	\$ 1,499,676	\$ 905,169
Local Taxes	4,161,905		
Total LCFF Sources	11,030,193	1,499,676	905,169
Federal Revenue	601,762	37,176	21,183
State Revenue	1,009,484	191,419	165,911
Local Revenue	1,693,808	50,130	11,916
Total Revenues	14,335,247	1,778,401	1,104,179
<u>Expenditures</u>			
Current:			
Instruction	8,721,248	1,406,752	646,832
Supervision of Instruction	224,536		
Instructional Library and Technology	86,796		
School Site Administration	713,503	270,228	210,976
Home-To-School Transportation	335,207		
Food Services	364		
Other Pupil Services	597,228	22,219	47,064
Data Processing Services	5,610		
Other General Administration	969,499	8,366	
Plant Services	1,422,852	102,950	82,930
Facilities Acquisition and Construction	285,053	150,937	
Debt Service:			
Principal Retirement			
Interest and Issuance Costs			
Total Expenditures	13,361,896	1,961,452	987,802
Excess of Revenues Over (Under) Expenditures	973,351	(183,051)	116,377
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In			
Operating Transfers Out	(70,503)		(11,728)
Total Other Financing Sources (Uses)	(70,503)	0	(11,728)
Net Change in Fund Balances	902,848	(183,051)	104,649
Fund Balances - July 1, 2017	4,239,682	492,952	382,980
Fund Balances - June 30, 2018	\$ 5,142,530	\$ 309,901	\$ 487,629

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

<u>Bond Interest and Redemption</u>	<u>Capital Facilities</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
		\$ 100,000	\$ 9,373,133
			4,161,905
		100,000	13,535,038
		235,828	895,949
\$ 19,023		16,150	1,401,987
2,106,931	\$ 1,353,343	68,191	5,284,319
<u>2,125,954</u>	<u>1,353,343</u>	<u>420,169</u>	<u>21,117,293</u>
			10,774,832
			224,536
			86,796
			1,194,707
			335,207
		389,646	390,010
			666,511
			5,610
	26,229		1,004,094
			1,608,732
			435,990
1,630,000			1,630,000
405,275			405,275
<u>2,035,275</u>	<u>26,229</u>	<u>389,646</u>	<u>18,762,300</u>
90,679	1,327,114	30,523	2,354,993
	11,728	70,503	82,231
			(82,231)
0	11,728	70,503	0
90,679	1,338,842	101,026	2,354,993
2,093,705	439,470	117,779	7,766,568
<u>\$ 2,184,384</u>	<u>\$ 1,778,312</u>	<u>\$ 218,805</u>	<u>\$ 10,121,561</u>

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Governmental Funds \$ 2,354,993

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:

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 useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Capital Outlays	\$	462,515	
Depreciation Expense		(1,164,333)	
Net		(701,818)	(701,818)

Debt service: In governmental funds, repayments of long-term liabilities are reported as expenditures. In the government-wide statements, repayments of long-term liabilities are reported as reductions of liabilities. Expenditures for the repayment of the principal portion of long-term liabilities in the current period were: 1,636,473

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned during the fiscal year. The difference between amounts paid and amounts earned was: 24,598

Early retirement incentives: In governmental funds, early retirement incentives are measured by the amounts paid during the period. In the statement of activities, early retirement incentives are measured by the amounts earned. The difference between amounts paid and amounts earned was: 232,500

Other post employment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: 72,957

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, interest expense 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: 1,564

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pensions costs are recognized on the accrual-basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (367,265)

Accreted interest: In governmental funds, accreted interest on capital appreciation bonds is recognized as an expenditure in the period that it becomes due. In the government-wide statement of activities, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current period was: (582,257)

Gain or loss from disposal of capital assets: In governmental funds the entire proceeds from the disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between proceeds from the disposal of capital assets and the resulting loss was: (789)

Change in Net Position of Governmental Activities \$ 2,670,956

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2018

	Agency Funds	Total Fiduciary Funds
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 5,508	\$ 5,508
<u>Liabilities</u>		
Due to Student Groups	5,508	5,508
<u>Net Position</u>		
Total Net Position	\$ 0	\$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Piner-Olivet Union Elementary School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Trustees elected by registered voters of the District, which comprises an area in Sonoma County. The District was established in 1959 and serves students in kindergarten through grade twelve.

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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District has reviewed criteria to determine whether other entities should be included within its financial reporting entity under Governmental Accounting Standards Board (GASB) Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (including financial accountability); the entity is fiscally dependent on the District, and a financial benefit/burden relationship exists between the entities.

The District has approved charters for Piner-Olivet Charter School and Northwest Prep Charter School, which are both operated by the District. Since the District is financially accountable for these charter schools, which are both fiscally dependent and share a financial benefit/burden relationship with the District, the charter schools meet the criteria for inclusion within its financial reporting entity under GASB 61. Accordingly, the financial activities of Piner-Olivet Charter School and Northwest Prep Charter School are presented separately in the Piner-Olivet Charter School Fund and Northwest Prep at Piner-Olivet Fund, respectively, using the blended component unit method.

The District has also approved charters for Olivet Elementary Charter School and Morrice Schaefer Charter School, which the District does not consider to be separate legal entities for the financial reporting purposes. Accordingly, the financial activities of each of these charter schools are included in the General Fund of the District.

The District has also reviewed criteria to determine whether other organizations, for which the District is not financially accountable, should be reported within its financial reporting entity, based on the nature and significance of its relationship with the District, under GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*.

In order for an organization to be classified as a component unit, all of the GASB 39 criteria must be met, as follows:

- The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government or its component units.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

- The economic resources received or held by the organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The District has determined that there are no organizations, for which the District is not financially accountable, which should be reported within its financial reporting entity under GASB 39.

B. Implementation of New Accounting Pronouncements

In June 2015, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the District during the fiscal year ended June 30, 2018. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The effect on beginning net position that resulted from the implementation of GASB 75 is presented in Note 16.

C. 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 non-fiduciary activities of the District and its component units, when applicable.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and 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.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

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. 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. With this measurement focus, only current assets 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.

D. 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. Under the 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 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined available as collectible within one year.

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.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

Revenues - Exchange and Non-exchange Transactions (Concluded):

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. 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 an 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.

E. 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 or retained earnings, 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. The District maintains the following governmental fund types:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District's accounts are organized into major, non-major, and fiduciary funds as follows:

Major Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

Piner-Olivet Charter School Fund is used to account for the revenues and expenditures of Piner-Olivet Charter School.

Northwest Prep at Piner-Olivet Fund is used to account for the revenues and expenditures of Northwest Prep Charter School.

Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal.

Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provision of the California Environmental Quality Act (CEQA).

Non-major Governmental Funds:

Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.

Building Fund is used to account for proceeds from the sale of the Measure L general obligation bonds and the expenditure of those funds for projects identified in the Measure L ballot measure.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains one agency fund for the student body account, which is used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America 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.

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund, Piner-Olivet Charter School Fund, and Northwest Prep at Piner-Olivet Fund as required supplementary information on pages 61 through 63.

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.

G. Use of Estimates

The preparation of financial statements in conformity with principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. 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.

I. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

1. Deposits and Investments (Concluded)

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

2. Prepaid Expenses / Expenditures

Payments made to vendors for goods or services that will benefit periods beyond the fiscal year ended, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed. Reported prepaid expenses/expenditures are equally offset by a reserve, which indicates that these amounts are not available for appropriation.

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. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	10-50
Buildings and Improvements	10-50
Furniture and Equipment	5-20

4. Deferred Outflows/Inflows of Resources

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

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

4. Deferred Outflows/Inflows of Resources (Concluded)

In addition to liabilities, the District will sometime report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so 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. Compensated Absences

All vacation pay and related labor costs are accrued when incurred in the government-wide financial statements.

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.

7. Other Post Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from the CalSTRS' and CalPERS' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

9. Long-term Liabilities

In the government-wide financial statements, long-term obligations are reported as long-term liabilities in the Statement of Net Position. Bond premiums and discounts as well as refunding costs, when applicable, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premiums, discounts, or refunding.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance and refunding costs, when debt is issued. The face amount of the debt issued, premiums, discounts, and issuance or refunding costs are reported as other financing sources or uses.

10. Fund Balances

Governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The allowable classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the district's highest level of decision making authority (Governing Board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or a body or official that has been given the authority to assign funds.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. In accordance with board policy, the District intends to maintain a Reserve for Economic Uncertainties as required by law with an additional reserve, the Cash Flow Reserve, which will be increased each year until it reaches 11%.

The District considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Concluded)

10. Fund Balances (Concluded)

Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

11. Local Control Funding Formula (LCFF)/Property Tax

The formula for determining the level of funding per student is the "Local Control Funding Formula" (LCFF). District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

The County of Sonoma is responsible for assessing, collecting and apportioning property taxes to the District. 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 alternative 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 LCFF sources by the District. The California Department of Education reduces the District's LCFF entitlement by the District's local property tax revenue. Any balance remaining is paid from the State General Fund, and is known as LCFF State Aid.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, consist of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks	\$	\$ 5,508
Cash in Revolving Funds	7,750	
County Pool Investments	<u>9,377,395</u>	
Totals	<u>\$ 9,385,145</u>	<u>\$ 5,508</u>

Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District, exclusive of amounts held in revolving funds.

Cash in Revolving Funds

Cash in revolving funds consists of all cash maintained in commercial bank accounts that are used as revolving funds as well as petty cash funds.

County Pool Investments

County pool investments consist of District cash held by the Sonoma County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County pool.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

General Authorization

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Carrying Value	Fair Value	Weighted Average Days to Maturity
County Pool Investments	\$ 9,377,395	\$ 9,301,438	533

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in the County Treasury are not required to be rated.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies.

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance was not exposed to custodial credit risk.

Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specific term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Fair Value Measurements (Concluded)

Uncategorized - Investments in the Sonoma County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	\$ 9,301,438	\$ 9,301,438

All assets have been valued using a market approach, with quoted market prices.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2018 consist of the following:

	<u>General Fund</u>	<u>Piner-Olivet Charter School Fund</u>	<u>Northwest Prep at Piner-Olivet Fund</u>	<u>Capital Facilities Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 294,069	\$ 23,130	\$ 16,645		\$ 53,439	\$ 387,283
State Government	824,327	64,508	65,077		4,017	957,929
Local Governments	320,641					320,641
Miscellaneous	10,505	2,141	664	\$ 412,126	8,757	434,193
Totals	\$ 1,449,542	\$ 89,779	\$ 82,386	\$ 412,126	\$ 66,213	\$ 2,100,046

NOTE 4 - INTERFUND ACTIVITIES

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. 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.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - INTERFUND ACTIVITIES (CONCLUDED)

A. Due From/Due To Other Funds

Balances at June 30, 2018 were as follows:

Cafeteria Fund due to General Fund for repayment of temporary cash flow loan	\$	132,697
General Fund due to Deferred Maintenance Fund for expenditures charged to the Deferred Maintenance Fund in error		800
General Fund due to Northwest Prep at Piner-Olivet Fund for expenditures charged to the Northwest Prep at Piner-Olivet Fund in error		8,886
General Fund due to Capital Facilities Fund to move RDA non-tax portion of taxes		<u>2</u>
Total	\$	<u><u>142,385</u></u>

All interfund receivables and payables are scheduled to be paid within one year.

B. Interfund Transfers

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

Interfund transfers during the 2017-18 fiscal year were as follows:

Funds	Transfers In	Transfers Out
General		\$ 70,503
Cafeteria	\$ 70,503	
Northwest Prep at Piner-Olivet		11,728
Capital Facilities	<u>11,728</u>	
Totals	<u><u>\$ 82,231</u></u>	<u><u>\$ 82,231</u></u>

Transfer of \$70,503 from the General Fund to the Cafeteria Fund to supplement the child nutrition program.

Transfer of \$11,728 from the Northwest Prep at Piner-Olivet Fund to the Capital Facilities Fund prior year rent.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

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

	Balances July 1, 2017	Additions	Deletions	Balances June 30, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 2,692,200			\$ 2,692,200
Construction-in-Progress	1,765,043		\$ 1,765,043	0
Total Capital Assets Not Being Depreciated	4,457,243	\$ 0	1,765,043	2,692,200
Capital Assets Being Depreciated:				
Sites and Improvements	6,729,267	29,014		6,758,281
Buildings and Improvements	32,546,518	2,172,019		34,718,537
Furniture and Equipment	970,572	26,525	48,096	949,001
Total Capital Assets Being Depreciated	40,246,357	2,227,558	48,096	42,425,819
Less Accumulated Depreciation:				
Sites and Improvements	2,085,100	216,586		2,301,686
Buildings and Improvements	12,222,101	880,190		13,102,291
Furniture and Equipment	550,795	67,557	47,307	571,045
Total Accumulated Depreciation	14,857,996	1,164,333	47,307	15,975,022
Total Capital Assets Being Depreciated, Net	25,388,361	1,063,225	789	26,450,797
Governmental Activities Capital Assets, Net	\$ 29,845,604	\$ 1,063,225	\$ 1,765,832	\$ 29,142,997

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 769,851
Instruction-Related Services	109,928
Pupil Services	98,686
General Administration	71,924
Plant Services	113,944
Total	\$ 1,164,333

NOTE 6 - GENERAL OBLIGATION BONDS

The outstanding general obligation debt of the District as of June 30, 2018 is as follows:

A. Current Interest Bonds

Year of Issue	Interest Rate %	Year of Maturity	Amount of Original Issue	Outstanding July 1, 2017	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2018
2011	4.00-5.75	2039	\$ 7,615,000	\$ 7,545,000	\$ 0	\$ 95,000	\$ 7,450,000

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 - GENERAL OBLIGATION BONDS (CONTINUED)

A. Current Interest Bonds (Concluded)

The annual requirements to amortize the bonds payable are as follows:

Year Ended June 30	Principal	Interest	Totals
2019	\$ 125,000	\$ 397,875	\$ 522,875
2020	150,000	392,375	542,375
2021	185,000	385,675	570,675
2022	215,000	376,600	591,600
2023	255,000	365,487	620,487
2024-2028	1,920,000	1,582,288	3,502,288
2029-2033	1,850,000	950,675	2,800,675
2034-2038	1,935,000	655,644	2,590,644
2039-2043	815,000	23,431	838,431
Totals	<u>\$ 7,450,000</u>	<u>\$ 5,130,050</u>	<u>\$ 12,580,050</u>

B. Capital Appreciation Bonds

Year of Issue	Accretion Rate %	Year of Maturity	Amount of Original Issue	Outstanding July 1, 2017	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2018
1995	4.40-6.15	2021	\$ 990,764	\$ 2,952,296	\$ 141,495	\$ 750,000	\$ 2,343,791
1997	4.40-5.65	2023	4,382,647	7,036,365	361,960	785,000	6,613,325
2011	2.30-12.00	2036	418,225	657,120	78,802		735,922
Totals			<u>\$ 5,791,636</u>	<u>\$ 10,645,781</u>	<u>\$ 582,257</u>	<u>\$ 1,535,000</u>	<u>\$ 9,693,038</u>

The outstanding obligation for the capital appreciation bonds at June 30, 2018, was as follows:

Year Ended June 30	Amount of Original Issue (Principal)	Accreted Interest	Totals
2019	\$ 471,395	\$ 1,195,612	\$ 1,667,007
2020	487,692	1,231,085	1,718,777
2021	506,279	1,271,193	1,777,472
2022	577,694	1,283,547	1,861,241
2023	599,838	1,332,781	1,932,619
2024-2028	0	0	0
2029-2033	157,085	194,551	351,636
2034-2038	163,084	221,202	384,286
Totals	<u>\$ 2,963,067</u>	<u>\$ 6,729,971</u>	<u>\$ 9,693,038</u>

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds (Concluded)

The annual requirements to amortize the capital appreciation bonds as of June 30, 2018, are as follows:

Year Ended June 30	Principal	Interest	Totals
2019	\$ 471,395	\$ 1,203,605	\$ 1,675,000
2020	487,692	1,342,308	1,830,000
2021	506,279	1,498,721	2,005,000
2022	577,694	1,632,306	2,210,000
2023	599,838	1,815,162	2,415,000
2024-2028	0	0	0
2029-2033	157,085	1,412,915	1,570,000
2034-2038	163,084	2,316,916	2,480,000
Totals	<u>\$ 2,963,067</u>	<u>\$ 11,221,933</u>	<u>\$ 14,185,000</u>

NOTE 7 - EARLY RETIREMENT INCENTIVES

During fiscal year 2016-17, the District signed a memorandum of understanding with the Piner-Olivet Teacher's Association as a means of encouraging early retirement. To be eligible, certificated employees must have at least ten (10) years of service with the District preceding their resignation/retirement, and must be at least 55 years of age at the time of resignation/retirement. Eight (8) certificated employees chose to participate in the program.

Future estimated payments for early retirement incentives at June 30, 2018 are as follows:

Year Ended June 30	Early Retirement Incentive
2019	\$ 97,500
2020	30,000
Total	<u>\$ 127,500</u>

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

The District's defined benefit plan, Piner-Olivet Union Elementary School District's Other Post Employment Benefits Plan (Plan), is a single-employer defined benefit health care plan administered by the District.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Description/Benefits Provided

Certificated and Certificated Management:

Upon attainment of age 55 and completion of at least 14 years of service credit with the District, a certificated employee may retire under CalSTRS and receive a District contribution towards health care (medical, prescription drug and behavioral health) coverage equal to a percentage of the District cap according to the age at retirement as follows:

<u>Age at Retirement</u>	<u>Percentage of District Cap</u>
55 but less than 58	100%
58 but less than 61	90%
61 but less than 65	75%

The District cap for the 2017-18 fiscal year is currently \$700 per month (\$8,400 annually) and is frozen in the year of retirement. District benefits end at age 65. The District contribution may not be used toward coverage for spouses or other dependents.

Classified, Classified Management and Classified Confidential:

These groups receive the same retiree benefits as certificated employees with the exception that they are required to have 15 rather than 14 years of service, and retirement is under CalPERS.

Employees who work at least 50% but less than 100% full-time receive a pro-rata share of the District-paid retiree benefits described above. There is one current retiree who receives 50% District-paid lifetime benefits under a special arrangement for non-Medicare-eligible certificated retirees aged 65 and over.

Plan benefits and contribution requirements for both the employee and the District are established by labor agreements. All contracts with District employees may be renegotiated at various times in the future, and thus, benefits and costs are subject to change.

Employees covered by benefit terms

The number of employees covered by the benefit terms of the Plan as of July 1, 2016 are as follows:

Inactive employees currently receiving benefit payments	21
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	127
Total number of participants	148

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Total OPEB Liability

The District's total OPEB liability of \$1,177,930 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2016. Standard actuarial update procedures were used to roll forward to the measurement date from the actuarial valuation.

Actuarial Assumptions

The total OPEB liability was determined using a financial reporting actuarial valuation as of July 1, 2016, which used the following actuarial methods and assumptions:

Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Inflation	3.0%
Salary Increases	3.0%
Discount Rate	3.62%
Health care cost trend rates	6.0% for 2016, 5.0% for 2017 and later years

The discount rate is based on the Municipal Bond 20-year High Grade Rate Index.

Pre-retirement mortality rates were based on the *RP-2014 Employee Mortality Table for Males or Females*, as appropriate, without projection.

Post-retirement mortality rates were based on the *RP-2014 Health Annuitant Mortality Table for Males or Females*, as appropriate, without projection.

Retirement and termination assumptions used were based on a review of plan experience and best estimate of future plan experience.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at July 1, 2017	<u>\$ 1,270,663</u>
Changes for the year:	
Service cost	66,091
Interest on total OPEB liability	37,078
Changes in assumptions or other inputs	(22,448)
Benefit payments (includes implicit subsidy)	<u>(173,454)</u>
Net change	<u>(92,733)</u>
Balances at June 30, 2018	<u><u>\$ 1,177,930</u></u>

There were no changes in benefit terms since the July 1, 2016 valuation.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current discount rate of 3.62%, 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 (2.62%) or one percentage point higher (4.62%) than the current rate:

	Discount Rate 1% Decrease <u>2.62%</u>	Discount Rate Current Rate <u>3.62%</u>	Discount Rate 1% Increase <u>4.62%</u>
District's total OPEB liability	\$ 1,223,361	\$ 1,177,930	\$ 1,131,409

Sensitivity of the District's Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current health care cost trend rate of 5.00%, as well as what the District's total OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (4.00%) or one percentage point higher (6.00%) than the current rate:

	Health Care Cost Trend Rate 1% Decrease <u>4.00%</u>	Health Care Cost Trend Rate Current Rate <u>5.00%</u>	Health Care Cost Trend Rate 1% Increase <u>6.00%</u>
District's total OPEB liability	\$ 1,131,227	\$ 1,177,930	\$ 1,231,776

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

For the year ended June 30, 2018, the District recognized negative OPEB expense of \$72,957. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions or other inputs	_____	\$ 19,776
Totals	<u>\$ 0</u>	<u>\$ 19,776</u>

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

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

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

Year Ended June 30		
2019	\$	(2,672)
2020		(2,672)
2021		(2,672)
2022		(2,672)
2023		(2,672)
Thereafter		(6,416)

NOTE 9 - RETIREMENT PLANS

Qualified employees are covered under retirement plans maintained by agencies of the State of California. Certificated employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California State Teachers' Retirement System (CalSTRS) and classified employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California Public Employees' Retirement System (CalPERS).

The District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense in the accompanying government-wide financial statements as follows:

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 10,665,027	\$ 3,228,767	\$ 1,459,597	\$ 1,445,738
CalPERS	3,397,502	1,164,883	186,083	624,842
Totals	<u>\$ 14,062,529</u>	<u>\$ 4,393,650</u>	<u>\$ 1,645,680</u>	<u>\$ 2,070,580</u>

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public school teachers and certain other employees of the public school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established the plan and CalSTRS as the administrator. The terms of the plan may be amended through legislation. CalSTRS issues publicly available reports that include a full description of the pension plan that can be found on the CalSTRS website.

Benefits Provided

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs and to defray reasonable expenses for administering the STRP. 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 is both an employer and nonemployer contributing entity to the STRP.

The STRP Defined Benefit Program has two benefit formulas:

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

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

CalSTRS 2% at 60

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

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Concluded)

CalSTRS 2% at 60 (Concluded)

CalSTRS calculates retirement benefits based on one-year final compensation for members with 25 or more years of credited service, or for classroom teachers with fewer than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For most members with fewer than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

CalSTRS 2% at 62

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

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and are detailed in the Teachers' Retirement Law. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: Pursuant to Chapter 47, Statutes of 2014 (AB 1469), CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2017-18. Under CalSTRS 2% at 62, the member contribution rate was 9.205% of applicable member earnings for fiscal year 2017-18.

Employers: Pursuant to Chapter 47, Statutes of 2014 (AB 1469), the employer contribution rate was 14.43% of applicable member earnings for fiscal year 2017-18. The District contributed \$898,595 to the plan for the fiscal year ended June 30, 2018.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Contributions (Concluded)

State: The contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in Education Code Section 22955.1(b). The additional state contribution for the fiscal year ended June 30, 2018 was 4.811%. Including a 2.50% contribution for SBMA funding, the total state appropriation to the defined benefit program was 9.328% for the fiscal year ended June 30, 2018.

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

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

District's proportionate share of the net pension liability	\$ 10,665,027
State's proportionate share of the net pension liability associated with the District	<u>6,309,340</u>
Total net pension liability attributed to District	<u><u>\$ 16,974,367</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers and the State. The District's proportionate share of the net pension liability as of June 30, 2017 and June 30, 2016 was as follows:

Proportion - June 30, 2017	0.0115%
Proportion - June 30, 2016	<u>0.0120%</u>
Change - Increase (Decrease)	<u><u>-0.0005%</u></u>

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$1,445,738, which includes \$513,065 of support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 898,595	
Differences between expected and actual experience	39,438	\$ 203,637
Changes of assumptions	1,975,770	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	314,964	1,013,053
Net differences between projected and actual earnings on plan investments		242,907
Totals	\$ 3,228,767	\$ 1,459,597

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2019	\$ (65,015)
2020	389,256
2021	211,905
2022	(76,781)
2023	121,895
2024	289,315

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

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. In determining the total pension liability, the financial reporting actuarial valuation used the following methods and assumptions ^{1,2}:

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions (Continued)

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return ³	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB (Annually) Maintain 85% purchasing power level for DB

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

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

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

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases of life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. The CalSTRS July 1, 2010 - June 30, 2015 Experience Analysis, adopted by the board in February 2017, is available on the CalSTRS website for more information regarding the mortality assumptions.

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

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions (Concluded)

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return / Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash / Liquidity	2%	-1.00%
Total	<u>100%</u>	

* 20-year average

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates as previously described. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions and benefit payments occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net pension liability as of the measurement date, calculated using the current discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	<u>Discount Rate 1% Decrease 6.10%</u>	<u>Discount Rate Current Rate 7.10%</u>	<u>Discount Rate 1% Increase 8.10%</u>
District's proportionate share of the net pension liability	\$ 15,659,646	\$ 10,665,027	\$ 6,611,556

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Pension Plan's Fiduciary Net Position

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

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 6.5% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 15.531% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2018 was \$291,655.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported a liability of \$3,397,502 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. 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 employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2017 and June 30, 2016 was as follows:

Proportion - June 30, 2017	0.0142%
Proportion - June 30, 2016	<u>0.0154%</u>
Change - Increase (Decrease)	<u><u>-0.0012%</u></u>

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$624,842. 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
District contributions subsequent to the measurement date	\$ 291,655	
Differences between expected and actual experience	128,439	
Changes of assumptions	496,260	\$ 43,943
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	95,638	142,140
Net differences between projected and actual earnings on plan investments	<u>152,891</u>	
Totals	<u><u>\$ 1,164,883</u></u>	<u><u>\$ 186,083</u></u>

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

Year Ended June 30	
2019	\$ 220,422
2020	335,352
2021	195,731
2022	(64,360)

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2017. 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 in the June 30, 2016 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Wage Growth	Varies
Investment Rate of Return	7.15%
Post Retirement Benefit Increase (1)	

(1) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

Mortality rate table used was developed based on CalPERS specific data. The table includes 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. Projections of expected benefit payments and contributions at the statutorily required member and employer rates were performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 + years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONCLUDED)

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
District's proportionate share of the net pension liability	\$ 4,998,814	\$ 3,397,502	\$ 2,069,080

Pension Plan Fiduciary Net Position

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

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. Both the District and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 10 - LONG-TERM LIABILITIES

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

	Balances July 1, 2017	Additions	Deductions	Balances June 30, 2018	Due within One Year
Compensated Absences	\$ 82,977	\$ 58,379	\$ 82,977	\$ 58,379	\$ 58,379
General Obligation Bonds:					
Current Interest	7,545,000		95,000	7,450,000	125,000
Capital Appreciation	10,645,781	582,257	1,535,000	9,693,038	1,675,000
Bond Premium	136,486		6,473	130,013	6,474
Early Retirement Incentives	360,000		232,500	127,500	97,500
Total OPEB Liability *	1,270,663	80,721	173,454	1,177,930	
Net Pension Liabilities	12,721,617	1,340,912		14,062,529	
Totals*	<u>\$ 32,762,524</u>	<u>\$ 2,062,269</u>	<u>\$ 2,125,404</u>	<u>\$ 32,699,389</u>	<u>\$ 1,962,353</u>

* The July 1, 2017 balances have been adjusted to reflect the restatement discussed in Note 16

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - LONG-TERM LIABILITIES (CONCLUDED)

The general obligation bonds are obligations of the Bond Interest and Redemption Fund. All other long-term liabilities are primarily obligations of the General Fund.

NOTE 11 - FUND BALANCES

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

	General Fund	Piner-Olivet Charter School Fund	Northwest Prep at Piner-Olivet Fund	Bond Interest & Redemption Fund	Capital Facilities Fund	Non-Major Governmental Funds	Totals
Nonspendable:							
Revolving Cash	\$ 2,000	\$ 2,500	\$ 1,250			\$ 2,000	\$ 7,750
Prepaid Expenditures	1,175						1,175
Total Nonspendable	<u>3,175</u>	<u>2,500</u>	<u>1,250</u>			<u>2,000</u>	<u>8,925</u>
Restricted:							
Categorical Programs	268,952	29,083	188,655				486,690
Food Service Programs						590	590
Capital Projects					\$ 1,778,312	896	1,779,208
Debt Service				\$ 2,184,384			2,184,384
Total Restricted	<u>268,952</u>	<u>29,083</u>	<u>188,655</u>	<u>2,184,384</u>	<u>1,778,312</u>	<u>1,486</u>	<u>4,450,872</u>
Committed:							
Other Commitments	<u>1,436,830</u>						<u>1,436,830</u>
Assigned:							
Other Assignments	<u>934,044</u>					<u>215,319</u>	<u>1,149,363</u>
Unassigned:							
Reserve for Economic Uncertainties	567,296						567,296
Remaining Unassigned Balances	<u>1,932,233</u>	<u>278,318</u>	<u>297,724</u>				<u>2,508,275</u>
Total Unassigned	<u>2,499,529</u>	<u>278,318</u>	<u>297,724</u>				<u>3,075,571</u>
Totals	<u>\$ 5,142,530</u>	<u>\$ 309,901</u>	<u>\$ 487,629</u>	<u>\$ 2,184,384</u>	<u>\$ 1,778,312</u>	<u>\$ 218,805</u>	<u>\$ 10,121,561</u>

NOTE 12 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions to CalSTRS of \$513,065. These contributions are recorded in the General Fund as revenue and expenditures. The District is not legally responsible for these contributions.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017-18, the District participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 14 - JOINT VENTURES

The District participates in two joint ventures under joint powers agreements (JPAs) with Redwood Empire Schools' Insurance Group (RESIG) for property & liability, workers' compensation, and dental insurance coverage, and West County Transportation Agency for pupil transportation services. The relationship between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - JOINT VENTURES (CONCLUDED)

The JPAs arrange for and/or provides coverage for its members. Each JPA is governed by a board consisting of a representative from each member district. Each 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 each JPA.

The JPAs are audited on an annual basis. Financial information for each JPA can be obtained by contacting each JPA's management.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

A. 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. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

B. Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

NOTE 16 - RESTATEMENT OF NET POSITION

During fiscal year 2017-18, the District implemented Governmental Accounting Standards Board Statement No. 75 (GASB 75), as discussed in Note 1B. As a result, the beginning net position of the District has been restated to reflect the District's total OPEB liability under GASB 75, which supersedes guidance under GASB 45. In accordance with GASB 75, the beginning net position restatement does not reflect any other adjustments related to deferred inflows or outflows of resources related to OPEBs, which result from differences between expected and actual experience or changes in assumptions or other inputs, as the information required to determine such amounts was not available during the first year implementation.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 16 - RESTATEMENT OF NET POSITION (CONCLUDED)

The effects of the restatement on the current year financial statements are as follows:

	Statement of Activities
Net Position - July 1, 2017 (as originally stated)	\$ 7,749,990
Overstatement of OPEB Asset - GASB 45	(21,715)
Understatement of Total OPEB Liability - GASB 75	(1,270,663)
Net Restatement	(1,292,378)
Net Position - July 1, 2017 (as restated)	\$ 6,457,612

NOTE 17 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 12, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 6,448,225	\$ 6,706,351	\$ 6,868,288	\$ 161,937
Local Sources	3,900,223	4,066,640	4,161,905	95,265
Total LCFF Sources	10,348,448	10,772,991	11,030,193	257,202
Federal Revenue	518,222	585,869	601,762	15,893
Other State Revenue	571,561	1,009,485	1,009,484	(1)
Other Local Revenue	859,142	1,613,191	1,693,808	80,617
Total Revenues	12,297,373	13,981,536	14,335,247	353,711
<u>Expenditures</u>				
Current:				
Certificated Salaries	5,078,406	5,074,432	5,068,590	5,842
Classified Salaries	1,678,107	1,788,680	1,708,606	80,074
Employee Benefits	2,982,120	3,007,933	2,982,167	25,766
Books and Supplies	537,761	726,738	410,910	315,828
Services and Other				
Operating Expenditures	2,189,237	2,942,138	2,891,818	50,320
Capital Outlay	553,500	308,852	299,805	9,047
Other Expenditures		18,320		18,320
Total Expenditures	13,019,131	13,867,093	13,361,896	505,197
Excess of Revenues Over (Under) Expenditures	(721,758)	114,443	973,351	858,908
<u>Other Financing (Uses)</u>				
Operating Transfers Out		(70,503)	(70,503)	
Net Change in Fund Balances	(721,758)	43,940	902,848	\$ 858,908
Fund Balances - July 1, 2017	4,239,682	4,239,682	4,239,682	
Fund Balances - June 30, 2018	\$ 3,517,924	\$ 4,283,622	\$ 5,142,530	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - PINER-OLIVET CHARTER SCHOOL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 1,619,111	\$ 1,499,676	\$ 1,499,676	
Federal Revenue	4,797	37,176	37,176	
Other State Revenue	80,161	191,419	191,419	
Other Local Revenue	42,409	50,680	50,130	\$ (550)
Total Revenues	<u>1,746,478</u>	<u>1,778,951</u>	<u>1,778,401</u>	<u>(550)</u>
<u>Expenditures</u>				
Current:				
Certificated Salaries	785,643	829,314	827,721	1,593
Classified Salaries	205,135	204,641	203,321	1,320
Employee Benefits	353,150	408,966	399,559	9,407
Books and Supplies	105,019	123,906	103,247	20,659
Services and Other				
Operating Expenditures	336,079	278,924	276,667	2,257
Capital Outlay	35,532	161,515	150,937	10,578
Total Expenditures	<u>1,820,558</u>	<u>2,007,266</u>	<u>1,961,452</u>	<u>45,814</u>
Net Change in Fund Balances	<u>(74,080)</u>	<u>(228,315)</u>	<u>(183,051)</u>	<u>\$ 45,264</u>
Fund Balances - July 1, 2017	492,952	492,952	492,952	
Fund Balances - June 30, 2018	<u>\$ 418,872</u>	<u>\$ 264,637</u>	<u>\$ 309,901</u>	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NORTHWEST PREP AT PINER-OLIVET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 907,359	\$ 905,169	\$ 905,169	
Total LCFF Sources	907,359	905,169	905,169	
Federal Revenue	1,448	21,667	21,183	\$ (484)
Other State Revenue	41,940	165,911	165,911	
Other Local Revenue	4,000	11,673	11,916	243
Total Revenues	<u>954,747</u>	<u>1,104,420</u>	<u>1,104,179</u>	<u>(241)</u>
<u>Expenditures</u>				
Current:				
Certificated Salaries	420,004	403,619	393,807	9,812
Classified Salaries	81,421	107,745	106,876	869
Employee Benefits	190,830	203,275	193,048	10,227
Books and Supplies	37,068	71,292	45,681	25,611
Services and Other				
Operating Expenditures	216,909	271,552	248,390	23,162
Capital Outlay		122,552		122,552
Total Expenditures	<u>946,232</u>	<u>1,180,035</u>	<u>987,802</u>	<u>192,233</u>
Excess of Revenues Over (Under) Expenditures	8,515	(75,615)	116,377	191,992
<u>Other Financing (Uses)</u>				
Operating Transfers Out		(11,728)	(11,728)	
Net Change in Fund Balances	8,515	(87,343)	104,649	<u>\$ 191,992</u>
Fund Balances - July 1, 2017	<u>382,980</u>	<u>382,980</u>	<u>382,980</u>	
Fund Balances - June 30, 2018	<u>\$ 391,495</u>	<u>\$ 295,637</u>	<u>\$ 487,629</u>	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS *
JUNE 30, 2018

	2018
Total OPEB Liability	
Service Cost	\$ 66,091
Interest on Total OPEB Liability	37,078
Changes in Assumptions or Other Inputs	(22,448)
Benefit Payments (includes implicit subsidy)	(173,454)
Net Change in Total OPEB Liability	(92,733)
Total OPEB Liability - Beginning	1,270,663
Total OPEB Liability - Ending	\$ 1,177,930
 Covered-employee Payroll	 \$ 8,371,456
 District's Total OPEB Liability as Percentage of Covered-employee Payroll	 14.07%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS *

JUNE 30, 2018

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2018	0.0115%	\$ 10,665,027	\$ 6,309,340	\$ 16,974,367	\$ 6,112,019	174.49%	69.46%
2017	0.0120%	9,681,225	6,693,223	16,374,448	5,965,368	162.29%	70.04%
2016	0.0134%	9,004,501	5,630,874	14,635,375	6,207,905	145.05%	74.02%
2015	0.0126%	7,379,281	5,170,907	12,550,188	5,624,436	131.20%	76.52%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS *

JUNE 30, 2018

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2018	0.0142%	\$ 3,397,502	\$ 1,814,833	187.21%	71.87%
2017	0.0154%	3,040,392	1,846,864	164.62%	73.90%
2016	0.0144%	2,127,231	1,597,715	133.14%	79.43%
2015	0.0137%	1,556,889	1,439,643	108.14%	83.38%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALSTRS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2018	\$ 898,595	\$ 898,595	\$ 0	\$ 6,227,270	14.43%
2017	777,346	777,346	0	6,179,221	12.58%
2016	651,792	651,792	0	6,074,483	10.73%
2015	538,470	538,470	0	6,063,851	8.88%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALPERS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions As a % of Covered Payroll</u>
2018	\$ 291,655	\$ 291,655	\$ 0	\$ 1,877,889	15.531%
2017	253,524	253,524	0	1,825,490	13.888%
2016	218,937	218,937	0	1,848,037	11.847%
2015	188,165	188,165	0	1,598,547	11.771%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. These schedules present the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object. The basis of budgeting is the same as Generally Accepted Accounting Principles (GAAP). There was no excess of expenditures over appropriations in any funds presented on pages 61-63 as of June 30, 2018.

B. Schedule of Changes in Total OPEB Liability and Related Ratios

In accordance with Governmental Accounting Standards Board Statement No. 75 (GASB 75), the District is required to present a 10-year schedule including certain information for each OPEB plan. The information required to be presented includes certain components that make up the changes in the total OPEB liability, the total OPEB liability, the covered-employee payroll, and the total OPEB liability as a percentage of the District's covered-employee payroll.

C. Schedule of the Proportionate Share of the Net Pension Liability

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the District's proportion and proportionate share of the collective net pension liability, the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability associated with the District, if applicable, the District's covered payroll, the District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

D. Schedule of Contributions

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the statutorily or contracted required District contribution, the amount of contributions recognized by the pension plan in relation to the required District contribution, the difference between the required District contribution and the amount recognized by the pension plan, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation of the District as a percentage of the District's covered payroll.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Trust Assets

The District has no assets accumulated in a trust that meet the criteria of GASB 75 to pay related benefits.

B. Benefit Terms

There were no changes in benefit terms since the July 1, 2016 valuation.

C. Changes in Assumptions or other inputs

During fiscal year 2017-18, the discount rate changed from 3.13% to 3.62%.

NOTE 3 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

Benefit Terms

There were no changes to benefit terms since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

Changes in Assumptions

During fiscal year 2016-17, CalSTRS completed an experience study for the period starting July 1, 2010, and ending on June 30, 2015. CalSTRS changed its mortality assumptions based on this experience study, which was adopted by the board in February 2017. As a result of the study, CalSTRS also changed the following assumptions used in determining the NPL as follows:

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

During fiscal year 2016-17, CalPERS changed the financial reporting discount rate from 7.65% to 7.15%.

SUPPLEMENTARY INFORMATION SECTION

**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

ORGANIZATION

The Piner-Olivet Union Elementary School District was established in 1959. The District is in Santa Rosa, California. There were no changes in District boundaries during the year. The District operates one elementary school and four charter schools.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mardi Hinton	President	November, 2018
John Way	Vice President	November, 2020
Albert Lau	Clerk	November, 2018
Mindy Mohr	Member	November, 2020
Cindy Pryor	Member	November, 2018

ADMINISTRATION

Carmen Diaz-French
Superintendent

Felicia Koha
Chief Business Official

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>	<u>Building</u>	<u>Total Non-Major Governmental Funds</u>
<u>Assets</u>				
Deposits and Investments	\$ 214,519	\$ 73,852	\$ 896	\$ 289,267
Receivables		66,213		66,213
Due from Other Funds	800			800
Total Assets	<u>\$ 215,319</u>	<u>\$ 140,065</u>	<u>\$ 896</u>	<u>\$ 356,280</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts Payable		\$ 4,778		\$ 4,778
Due to Other Funds		132,697		132,697
Total Liabilities		<u>137,475</u>		<u>137,475</u>
Fund Balances:				
Nonspendable		2,000		2,000
Restricted		590	\$ 896	1,486
Assigned	\$ 215,319			215,319
Total Fund Balances	<u>215,319</u>	<u>2,590</u>	<u>896</u>	<u>218,805</u>
Total Liabilities and Fund Balances	<u>\$ 215,319</u>	<u>\$ 140,065</u>	<u>\$ 896</u>	<u>\$ 356,280</u>

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

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>	<u>Building</u>	<u>Total Non-Major Governmental Funds</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 100,000			\$ 100,000
Federal Revenue		\$ 235,828		235,828
State Revenue		16,150		16,150
Local Revenue	1,014	67,165	\$ 12	68,191
Total Revenues	101,014	319,143	12	420,169
<u>Expenditures</u>				
Current:				
Food Services		389,646		389,646
Excess of Revenues Over (Under) Expenditures	101,014	(70,503)	12	30,523
<u>Other Financing Sources</u>				
Operating Transfers In		70,503		70,503
Net Change in Fund Balances	101,014	0	12	101,026
Fund Balances - July 1, 2017	114,305	2,590	884	117,779
Fund Balances - June 30, 2018	<u>\$ 215,319</u>	<u>\$ 2,590</u>	<u>\$ 896</u>	<u>\$ 218,805</u>

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	P-2 Report		
	TK / K - 3	4 - 6	Totals
Regular ADA	159.74	141.58	301.32
Extended Year - Special Education		1.05	1.05
Special Education - Nonpublic	1.77	2.83	4.60
Extended Year - Nonpublic		0.10	0.10
Totals	161.51	145.56	307.07

	Annual Report		
	TK / K - 3	4 - 6	Totals
Regular ADA	160.78	141.30	302.08
Extended Year - Special Education		1.05	1.05
Special Education - Nonpublic	2.02	3.02	5.04
Extended Year - Nonpublic		0.10	0.10
Totals	162.80	145.47	308.27

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE - CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>P-2 Reports</u>		<u>Annual Reports</u>	
	<u>Classroom- Based</u>	<u>Totals</u>	<u>Classroom- Based</u>	<u>Totals</u>
<u>General Fund</u>				
<i>Olivet Elementary</i>				
TK / K - 3	190.49	194.19	191.56	195.31
Grades 4 - 6	100.98	106.22	100.49	105.84
<i>Morrice Schaefer</i>				
TK / K - 3	242.29	242.29	236.74	236.74
Grades 4 - 6	158.23	158.23	155.62	155.62
Subtotals	<u>691.99</u>	<u>700.93</u>	<u>684.41</u>	<u>693.51</u>
<u>Charter School Funds</u>				
<i>Piner-Olivet Charter</i>				
Grades 7 - 8	187.68	187.68	186.92	186.92
<i>Northwest Prep Charter</i>				
Grades 7 - 8	31.01	36.06	31.04	36.44
Grades 9 - 12	37.42	64.00	37.22	63.83
Subtotals	<u>68.43</u>	<u>100.06</u>	<u>68.26</u>	<u>100.27</u>
Totals	<u><u>948.10</u></u>	<u><u>988.67</u></u>	<u><u>939.59</u></u>	<u><u>980.70</u></u>

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	51,450	180	N/A	In Compliance
Grade 1	50,400	54,181	180	N/A	In Compliance
Grade 2	50,400	54,181	180	N/A	In Compliance
Grade 3	50,400	54,181	180	N/A	In Compliance
Grade 4	54,000	54,181	180	N/A	In Compliance
Grade 5	54,000	54,181	180	N/A	In Compliance
Grade 6	54,000	54,181	180	N/A	In Compliance

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME - CHARTER SCHOOLS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Olivet / Morrice Schaefer					
Kindergarten	36,000	51,450	180	N/A	In Compliance
Grade 1	50,400	54,181	180	N/A	In Compliance
Grade 2	50,400	54,181	180	N/A	In Compliance
Grade 3	50,400	54,181	180	N/A	In Compliance
Grade 4	54,000	54,181	180	N/A	In Compliance
Grade 5	54,000	54,181	180	N/A	In Compliance
Grade 6	54,000	54,181	180	N/A	In Compliance
Piner-Olivet					
Grade 7	54,000	54,158	176	N/A	In Compliance
Grade 8	54,000	54,158	176	N/A	In Compliance
Northwest Prep at Piner-Olivet					
Grade 7	54,000	65,695	177	N/A	In Compliance
Grade 8	54,000	65,695	177	N/A	In Compliance
Grade 9	64,800	65,695	177	N/A	In Compliance
Grade 10	64,800	65,695	177	N/A	In Compliance
Grade 11	64,800	65,695	177	N/A	In Compliance
Grade 12	64,800	65,695	177	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
Passed Through California Department of Education (CDE):				
<i>Child Nutrition Cluster:</i>				
National School Lunch	10.555	13524		\$ 176,802
School Needy Breakfast	10.553	13526		35,604
USDA Food Commodities	10.555	*		23,422
Subtotal Child Nutrition Cluster				<u>235,828</u>
Total U.S. Department of Agriculture				<u>235,828</u>
U.S. Department of Education:				
Passed Through CDE:				
Title I Basic Grant Low-Income & Neglected	84.010	14329		324,206
Title II Improving Teacher Quality	84.367	14341		48,783
Title III Limited English Proficient	84.365	14346		72,953
Passed Through Sonoma County SELPA:				
<i>Special Education Cluster:</i>				
IDEA Part B Basic Local Assistance	84.027	13379		152,227
IDEA Part B Preschool Grants	84.173	13430		13,388
IDEA Part B Preschool Local Entitlement	84.027A	13682		27,726
Subtotal Special Education Cluster				<u>193,341</u>
Total U.S. Department of Education				<u>639,283</u>
U.S. Department of Health and Human Services:				
Passed Through Sonoma County Office of Education:				
Medi-Cal Administrative Activities	93.778	10060		20,838
Total U.S. Department of Health and Human Services				<u>20,838</u>
Totals			<u>\$ 0</u>	<u>\$ 895,949</u>

* Pass-Through Identification Number is not available or not applicable

**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	General Fund	Special Revenue - Special Reserve Fund	Special Reserve for Postemployment Benefits Fund
June 30, 2018 Annual Financial and Budget Report Fund Balances	\$ 4,175,486	\$ 9,432	\$ 620,333
Reclassifications / Adjustments Increasing (Decreasing) Fund Balances:			
Reclassifications of Fund Balances	629,765	(9,432)	(620,333)
Understatement of State Apportionments	272,011		
Understatement of Other Local Revenues	65,268		
Total Adjustments and Reclassifications	967,044	(9,432)	(620,333)
June 30, 2018 Audited Financial Statements Fund Balances	\$ 5,142,530	\$ 0	\$ 0

Auditor's Comments

The fund balances of the General Fund, Special Revenue - Special Reserve Fund, and Special Reserve for Postemployment Benefits Fund have been combined for financial reporting purposes in accordance with GASB Statement No. 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2018.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	GENERAL FUND			
	(Budget) 2018-19	2017-18	2016-17	2015-16
Revenues and Other Financial Sources	\$ 12,561,795	\$ 14,335,247	\$ 13,636,852	\$ 13,478,042
Expenditures	12,036,776	13,361,896	14,572,816	12,874,390
Other Uses and Transfers Out	478,200	70,503	46,000	10,000
Total Outgo	12,514,976	13,432,399	14,618,816	12,884,390
Change in Fund Balance	46,819	902,848	(981,964)	593,652
Ending Fund Balance	\$ 5,189,349	\$ 5,142,530	\$ 4,239,682	\$ 5,221,646
Available Reserves	\$ 2,300,359	\$ 2,499,529	\$ 1,158,984	\$ 2,416,864
Reserve for Economic Uncertainties (1)	\$ 500,599	\$ 567,296	\$ 584,753	\$ 540,544
Available Reserves as a Percentage of Total Outgo	18.4%	18.6%	7.9%	18.8%
Average Daily Attendance (ADA) at P-2 (2)	940	1,008	1,046	1,058
Total Long-Term Liabilities (3)	\$ 30,737,036	\$ 32,699,389	\$ 32,762,524	\$ 30,424,505

(1) Reported balances are a component of available reserves.

(2) Includes ADA of all schools accounted for in the General Fund of the District, and excludes ADA of Piner-Olivet and Northwest Prep Charter Schools, which are accounted for separately in special revenue funds.

(3) The amount reported for fiscal year 2016-17 has been adjusted to reflect the restatement discussed in Note 16.

The fund balance of the General Fund decreased \$79,116 (1.5%) over the past two years. The fiscal year 2018-19 budget projects an increase of \$46,819. For a district this size, the state recommends available reserves of at least 4% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit of \$981,964 during fiscal year 2016-17, and produced operating surpluses of \$902,848 and \$593,652 during fiscal years 2017-18 and 2015-16, respectively.

Average daily attendance (ADA) decreased 50 ADA over the past two years. The District projects a decrease of 68 ADA during fiscal year 2018-19.

Total long-term liabilities increased \$2,274,884 over the past two years.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Charter Schools</u>	<u>Charter Number</u>	<u>District Audit</u>
Olivet Elementary Charter School	1440	Included
Morrice Schaefer Charter School	1439	Included
Piner-Olivet Charter School	0098	Included
Northwest Prep Charter School	0526	Included

SEE NOTES TO SUPPLEMENTARY INFORMATION

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Combining Statements

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

B. Schedule of Average Daily Attendance

The average daily attendance is a measurement of the number of pupils attending classes in the non-charter schools 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 spans and in different programs in the non-charter schools of the District.

C. Schedule of Average Daily Attendance - Charter Schools

The average daily attendance is a measurement of the number of pupils attending classes in the charter schools. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of classroom-based and total students at various grade spans at the District's charter schools.

D. Schedule of Instructional Time

The District participated in the Longer Day incentive funding program for the current fiscal year, and the District met or exceeded its LCFF funding target. This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

E. Schedule of Instructional Time - Charter Schools

Education Code Section 47612.5 requires classroom-based charter schools to offer a minimum number of minutes of instruction. This schedule presents information on the amount of instructional time offered by the District's charter schools and whether they complied with the provisions of Education Code Section 47612.5(a)(1).

F. Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

F. Schedule of Expenditures of Federal Awards (Concluded)

Basis of Presentation (Concluded)

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Since the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position of the District.

Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rates

The District has elected not to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

G. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Annual Financial and Budget Report to the audited financial statements.

H. Schedule of Financial Trends and Analysis

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.

I. Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, their charter number, and identifies whether or not the charter schools were included or excluded from the audit of the District.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Piner-Olivet Union Elementary School District
Santa Rosa, California

Report on State Compliance

We have audited Piner-Olivet Union Elementary School District's compliance with the types of compliance requirements described in the *2017-18 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 the District's state programs identified on the following page for the fiscal year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Piner-Olivet Union Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Piner-Olivet Union Elementary School District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine Piner-Olivet Union Elementary School District's compliance with state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
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	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
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	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for the independent study program because the average daily attendance claimed by the District does not exceed the threshold that requires testing.

Opinion on State Compliance

In our opinion, Piner-Olivet Union Elementary School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Finding 2018-004**. Our opinion on state compliance on the programs previously identified is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2018

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

**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
Piner-Olivet Union Elementary School District
Santa Rosa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Piner-Olivet Union Elementary School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies, as noted in **Findings 2018-001, 2018-002, and 2018-003**.

Compliance and Other Matters

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

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2018

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

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

Board of Trustees
Piner-Olivet Union Elementary School District
Santa Rosa, California

Report on Compliance for Each Major Federal Program

We have audited the Piner-Olivet Union Elementary 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 the Piner-Olivet Union Elementary School District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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)* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Piner-Olivet Union Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Piner-Olivet Union Elementary School District's compliance.

Opinion on Each Major Federal Program

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

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

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

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2018

FINDINGS AND QUESTIONED COSTS SECTION

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiencies identified not considered to be material weaknesses?	_____ <u>X</u> Yes	_____ None reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No	

Federal Awards

Internal control over major programs:

Material weaknesses identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported	

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Federal Program</u>
10.553 / 10.555	Child Nutrition Cluster
84.027 / 84.173	Special Education Cluster

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

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

State Awards

Any audit findings required to be reported in accordance with the 2017-18 Guide for Annual Audit of K-12 Local Educational Agencies and State Compliance Reporting? _____ X Yes _____ No

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

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

2018 - 001 / 30000

SIGNIFICANT DEFICIENCY

CASH RECEIPTS

<u>Criteria:</u>	The District should establish appropriate procedures to ensure that all child nutrition reimbursements are properly deposited and recorded on the general ledger. Reimbursements not received in a timely manner should be investigated by District personnel.
<u>Condition:</u>	Two reimbursement checks received from the California Department of Education in July 2017 were not deposited into the County Treasury until September 2017. The District investigated the missing reimbursements after questioned by the auditors as to how they received the reimbursements for June 2017 and not for May 2017. The District discovered the May 2017 reimbursements claims in a drawer in the business office.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	The child nutrition reimbursement checks for May 2017 totaled \$35,470.53. The District's internal control procedures did not identify the missing reimbursements even after receiving and depositing the child nutrition reimbursement checks for June 2017.
<u>Effect:</u>	The District is not earning interest on cash and checks held at the District Office. In addition, cash and checks awaiting deposit, may be stolen or misplaced, and not detected in a timely manner.
<u>Cause:</u>	The District experienced turnover in the business office during the year, which made it difficult to investigate the missing reimbursements in a timely manner.
<u>Recommendation:</u>	The District should establish appropriate procedures to ensure that all child nutrition reimbursements are properly deposited and recorded on the general ledger. Reimbursements that are not received in a timely manner should be investigated by District personnel.
<u>District Response:</u>	The District concurs and will establish a procedure to ensure all child nutrition reimbursements are properly deposited in a timely manner.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018 - 002 / 30000

SIGNIFICANT DEFICIENCY

CASH DISBURSEMENTS

Criteria: Internal controls over cash disbursements should be enforced to ensure that employee reimbursement requests are submitted to the District Office in a timely manner. The reimbursement requests should be reviewed and approved by the Chief Business Official prior to processing for payment.

Conditions: One employee's reimbursement request was submitted to the District Office eight months after the expenditures were incurred. The reimbursement request was not reviewed and approved by the Chief Business Official prior to processing for payment.

Questioned Costs: None.

Context: The condition was noted in 1 of 40 transactions tested.

Effect: It is difficult for management to determine the propriety and reasonableness of expenditures when there is significant time between the employee incurring the expenditures and the reimbursement request, which may also lead to expenditures being recorded in the incorrect fiscal year. In addition, the accuracy and validity of the items on the reimbursement request are not reviewed.

Cause: The District experienced turnover in the business office during the year which made it difficult to adequately enforce procedures that require employee reimbursement requests to be submitted to the business office in a timely manner.

Recommendation: The District should enforce procedures that require employees to submit employee reimbursement requests to the business office in a timely manner. The reimbursement requests should be reviewed and approved by the Chief Business Official prior to processing for payment.

District Response: The District will review with employees the procedures for employee reimbursement requests and will enforce established procedures.

**PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

2018 - 003 / 30000

SIGNIFICANT DEFICIENCY

REVOLVING ACCOUNTS

Criteria: Revolving bank account register balances should be reconciled to imprest balances on a monthly basis.

Condition: Revolving bank account register balances were not reconciled to imprest balances during fiscal year 2017-18.

Questioned Costs: None.

Context: The condition existed throughout fiscal year 2017-18.

Effect: Errors or irregularities may occur and not be detected in a timely manner.

Cause: The business office experienced employee turnover and reconciling revolving bank accounts to established imprest balances was not considered a priority.

Recommendations: Revolving bank account register balances should be reconciled to imprest balances on a monthly basis.

District Response: The District concurs and is reconciling the imprest balances on a monthly basis.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2018.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2018 - 004 / 10000

ATTENDANCE

- Criteria: In accordance with Education Code Section 46000, attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education.
- Condition: Teachers are not recording attendance in a complete and accurate manner. Accordingly, students were not marked as being absent on days when the students were ill or out of school for the entire day or were marked as absent when the students were present.
- Questioned Costs: None. The net apportionment adjustment due to errors resulted in an overstatement of only 17 apportionment days, which did not result in material misstatement of average daily attendance (ADA). (0.14 ADA - 17 days / 124 days for P-2 period).
- Context: The condition was noted at Morrice Schaefer Charter School. During our initial audit we noted an overstatement of 3 apportionment days. Site personnel went back and compared attendance registers to computer input for the P-2 period and the revised attendance results were audited. Based on our final audit of attendance we determined that the site made 61 errors in recording attendance. The net effect of the errors resulted in an overstatement of 17 apportionment days for the P-2 attendance period. Since the overstated ADA was less than one (1) ADA, the District did not revise their originally reported ADA figures.
- Effect: The District overstated ADA on the P-2 Attendance Report.
- Cause: Site personnel did not follow District procedures to ensure that attendance recorded in the computerized system agrees to signed weekly attendance sheets maintained by classroom teachers.
- Recommendation: The District should inform all teachers about the importance of accurate attendance reporting. In addition, attendance clerks should inform their respective Principal about any teachers who do not accurately record student attendance to ensure that appropriate action is taken.
- District Response: The District will communicate the importance of accurate attendance reporting to all teachers. Additionally, the District will remind attendance clerks to inform their respective Principal of any inaccurate recording of student attendance so that appropriate action may be taken.

PINER-OLIVET UNION ELEMENTARY SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation if Not Fully Implemented</u>
<u>FINANCIAL STATEMENTS</u>		
2017 - 001 / 30000		
<u>CLEARING BANK ACCOUNT</u>		
The District should develop policies and procedures that require clearing bank account deposits to be transferred to the County Treasury account on at least a monthly basis.	Implemented	
2017 - 002 / 30000		
<u>REVOLVING ACCOUNTS</u>		
Revolving bank account register balances should be reconciled to imprest balances on a monthly basis.	Not Implemented	Comment Repeated (see Finding 2018-003)
The District should create and maintain a list of imprest balances that should be maintained in each revolving bank account. In addition, a list of petty cash funds by school site should be created and maintained.	Implemented	
2017 - 003 / 30000		
<u>OTHER POST EMPLOYMENT BENEFITS (OPEB)</u>		
The District should establish a procedure to ensure that future actuarial valuations studies are completed in a timely manner.	Implemented	