

PIONEER UNION SCHOOL DISTRICT
COUNTY OF EL DORADO
SOMERSET, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

PIONEER UNION SCHOOL DISTRICT

JUNE 30, 2018

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JUNE 30, 2018

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pioneer Union School District
Somerset, California

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on pages 49 and 50, and accounting by employer for pensions on pages 51 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pioneer Union School District's basic financial statements. The introductory, financial and statistical information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory, financial and statistical information listed as supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the financial and statistical information listed as supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 19, 2018, on my consideration of Pioneer Union School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pioneer Union School District's internal control over financial reporting and compliance.



MICHELLE M. HANSON
Certified Public Accountant

November 19, 2018

PIONEER UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

FINANCIAL HIGHLIGHTS

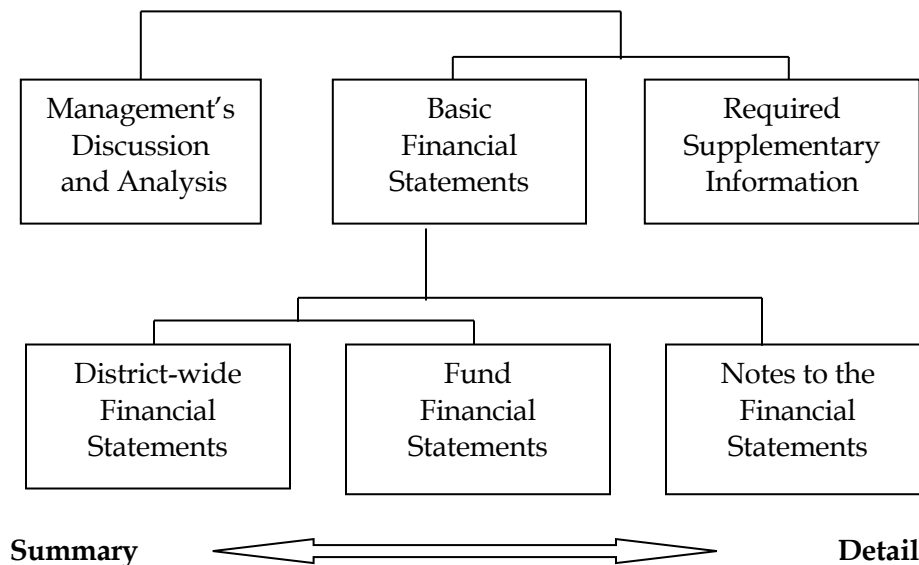
- The District continues to provide a quality educational program to its students within the constraints of state funding and no significant changes in student enrollment.
- General Fund revenues and other sources were more than expenditures and other uses by \$247 thousand, ending the year with available reserves of \$840 thousand, higher than the State recommended reserve level of 5%.
- In complying with GASB 34, fixed assets were valued at historical cost and are reported on that basis. The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was \$12.8 million. After depreciation, the June 30, 2018 book value for fixed assets totaled \$6.3 million.
- In complying with GASB 68, the District recognized its portion of the unfunded STRS and PERS pension liabilities for the first time in 2014-2015. The District's portion of the unfunded STRS and PERS pension liability, based on the most recent actuarial valuations, increased \$345 thousand in 2017-2018 and is reported in the Statement of Net Position.

PIONEER UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Components of the Financial Section



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

PIONEER UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section (Concluded)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

PIONEER UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

◆ **Governmental Funds**

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

◆ **Fiduciary Funds**

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

PIONEER UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The School District as a Whole

The District's net position was \$4.5 million at June 30, 2018. Of this amount a deficit \$2.2 million was unrestricted. Net investment in capital assets account for \$6.3 million of the total net position. A comparative analysis of government-wide data is presented in Table 1.

Comparative Statement of Net Position
Table 1

	Governmental Activities	
	2018	2017
ASSETS		
Cash	\$ 1,333,686	\$ 1,030,411
Receivables	71,077	37,921
Stores inventory	3,288	1,066
Capital assets	6,273,581	6,452,184
Total assets	<u>7,681,632</u>	<u>7,521,582</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,007,779</u>	<u>707,540</u>
LIABILITIES		
Accounts payable and other current liabilities	72,225	24,847
Unearned revenue	5,713	
Long-term liabilities	3,690,767	3,403,196
Total liabilities	<u>3,768,705</u>	<u>3,428,043</u>
DEFERRED INFLOWS OF RESOURCES	<u>453,835</u>	<u>407,219</u>
NET POSITION		
Net investment in capital assets	6,257,774	6,405,819
Restricted	358,364	297,859
Unrestricted (deficit)	(2,149,267)	(2,309,818)
Total net position	<u>\$ 4,466,871</u>	<u>\$ 4,393,860</u>

PIONEER UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District's net position increased \$73 thousand this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 71 percent of total expenses. The purely administrative activities of the District accounted for just 12 percent of total costs. The remaining 17 percent was spent in the areas of plant services and other expenses, interest on long-term debt and other outgo. (See Figure 2).

**Comparative Statement of Change in Net Position
Table 2**

	Governmental Activities	
	2018	2017
REVENUES		
Program revenues	\$ 607,410	\$ 658,430
General revenues		
Taxes levied for general purposes	1,850,514	1,758,806
Federal and State aid not restricted to specific purposes	1,218,435	1,196,672
Interest and investment earnings	13,082	5,734
Interagency revenues	70,156	15,802
Miscellaneous		87,343
Total revenues	<u>3,759,597</u>	<u>3,722,787</u>
EXPENSES		
Instruction	1,717,394	1,993,291
Instruction related services	364,061	359,570
Pupil support services	501,398	513,357
General administration	453,797	411,259
Plant services	408,612	377,460
Other	241,324	242,243
Total expenses	<u>3,686,586</u>	<u>3,897,180</u>
Increase (decrease) in net position	<u>\$ 73,011</u>	<u>\$ (174,393)</u>

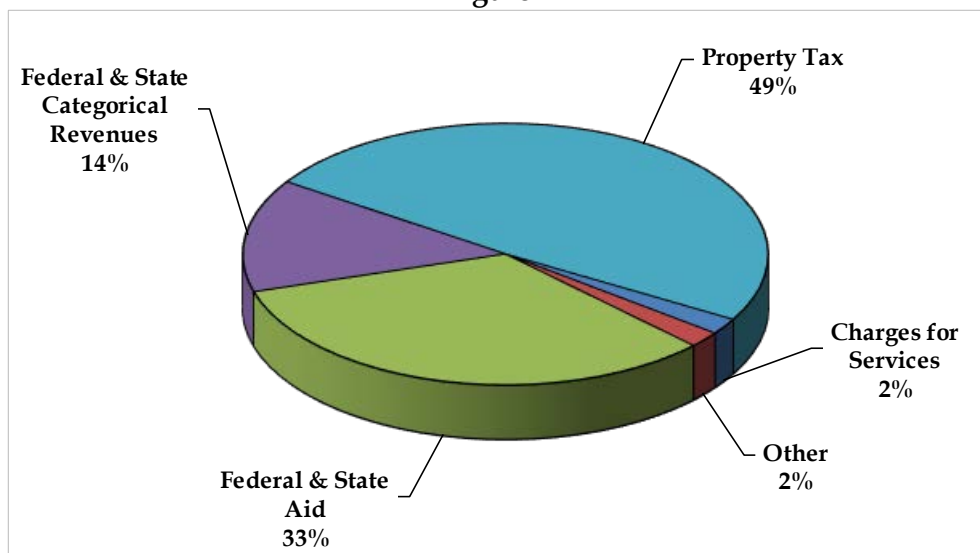
PIONEER UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

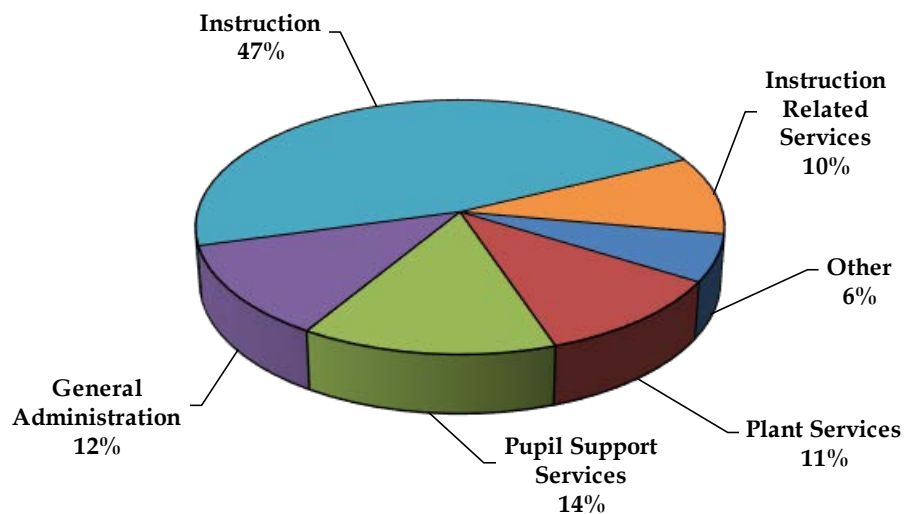
Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$3.7 million. The amount that our local taxpayers financed for these activities through property taxes was \$1.9 million. Federal and State aid not restricted to specific purposes totaled \$1.2 million. State and Federal Categorical revenue totaled over \$534 thousand (See Figure 1).

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



Expenses for the 2017-2018 Fiscal Year
Figure 2



PIONEER UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$1.3 million, an increase of \$286 thousand from the previous fiscal year's combined ending balance of \$1.0 million.

General Fund Budgetary Highlights

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

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

The final revised budget for the General Fund reflected a net increase to the ending balance of \$86 thousand.

The District ended the year with \$1.2 million in the General Fund ending balance, of which \$840 thousand is available reserve. The State recommends an ending reserve for economic uncertainties of 5 percent (\$164 thousand) or \$66 thousand, whichever is greater.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2017-2018 fiscal year, the District had invested \$12.8 million in a broad range of capital assets, including school buildings, site improvements, and equipment. During 2017-2018, the District had \$75 thousand in capital asset additions with the addition of a play structure, and the energy retrofit and water projects. Additionally, the District recognized depreciation expense of \$254 thousand.

PIONEER UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Capital Assets (Concluded)

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

	2018	2017	Difference Increase (Decrease)
Land	\$ 95,110	\$ 95,110	
Site Improvements	713	9,276	\$ (8,563)
Buildings	5,960,985	6,191,835	(230,850)
Machinery and Equipment	93,470	77,881	15,589
Work in Process	123,303	78,082	45,221
Totals	<u>\$ 6,273,581</u>	<u>\$ 6,452,184</u>	<u>\$ (178,603)</u>

Long-Term Debt

At June 30, 2018, the District had \$3.7 million long-term debt outstanding.

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

	2018	2017
Capital Lease Obligations	\$ 15,807	\$ 46,365
Early Retirement Incentives	47,000	65,000
Compensated Absences	16,152	24,648
Net Pension Liability	3,611,808	3,267,183
Totals	<u>\$ 3,690,767</u>	<u>\$ 3,403,196</u>

The long-term debt paid by the District was approximately \$49 thousand in 2017-2018 and was paid from the General Fund and the Deferred Maintenance Fund. The net pension liability increased \$345 thousand.

PIONEER UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Laura Becker, Chief Fiscal Officer, Pioneer Union School District, 6862 Mt. Aukum Road, Somerset, CA 95864, (530) 620-3556.

PIONEER UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash (Note 2)	\$ 1,333,686
Accounts Receivable (Note 3)	71,077
Stores Inventory (Note 1H)	3,288
Capital Assets, Net of Depreciation (Note 5)	<u>6,273,581</u>
Total Assets	<u>7,681,632</u>
DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)	
Deferred Outflows on Pensions (Note 9)	<u>1,007,779</u>
Total Deferred Outflows of Resources	<u>1,007,779</u>
LIABILITIES	
Accounts Payable and Other Current Liabilities	72,225
Unearned Revenue (Note 1H)	5,713
Long-term Liabilities (Note 6)	
Due Within One Year	49,959
Due After One Year	<u>3,640,808</u>
Total Liabilities	<u>3,768,705</u>
DEFERRED INFLOWS OF RESOURCES (NOTE 1H)	
Deferred Inflows on Pensions (Note 9)	<u>453,835</u>
NET POSITION	
Net Investment in Capital Assets	6,257,774
Restricted For:	
Capital Projects	119,390
Education Programs	235,686
Other Purposes (Expendable)	3,288
Unrestricted (Deficit)	<u>(2,149,267)</u>
Total Net Position	<u><u>\$ 4,466,871</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PIONEER UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>	<u>Expenses</u>			
Instruction	\$ 1,717,394	\$ 37,533	\$ 260,833	\$ (1,419,028)
Instruction-Related Services:				
Supervision of Instruction	28		1	(27)
Instructional Library, Media and Technology	102,715		1,881	(100,834)
School Site Administration	261,318		9,626	(251,692)
Pupil Services:				
Home-To-School Transportation	239,224	3,833	3,425	(231,966)
Food Services	191,342	18,690	116,051	(56,601)
All Other Pupil Services	70,832		16,583	(54,249)
General Administration:				
Data Processing	20,265			(20,265)
All Other General Administration	433,532	13,488	37,035	(383,009)
Plant Services	408,612		78,746	(329,866)
Ancillary Services	17,389		(186)	(17,575)
Community Services	7,488			(7,488)
Interest on Long-Term Debt	1,785			(1,785)
Other Outgo	89,121		9,871	(79,250)
Depreciation (unallocated)*	125,541			(125,541)
Total Governmental Activities	<u>\$ 3,686,586</u>	<u>\$ 73,544</u>	<u>\$ 533,866</u>	<u>(3,079,176)</u>
General Revenues:				
Property Taxes Levied For:				
General Purposes				1,850,514
Federal and State Aid Not Restricted to Specific Purposes				1,218,435
Interest and Investment Earnings				13,082
Interagency Revenues				70,156
Total General Revenues				<u>3,152,187</u>
Change in Net Position				73,011
Net Position Beginning				<u>4,393,860</u>
Net Position Ending				<u>\$ 4,466,871</u>

* This amount excludes depreciation that is included in the direct expenses of various programs.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

	General Fund	Child Development Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash (Note 2)	\$ 1,195,551	\$ 12,285	\$ 125,850	\$ 1,333,686
Accounts Receivable (Note 3)	54,907	15,297	873	71,077
Due From Other Funds (Note 4)		1,073		1,073
Stores Inventory (Note 1H)			3,288	3,288
Total Assets	<u>\$ 1,250,458</u>	<u>\$ 28,655</u>	<u>\$ 130,011</u>	<u>\$ 1,409,124</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 46,333	\$ 23,981	\$ 1,911	\$ 72,225
Deferred Revenue (Note 1H)	5,713			5,713
Due to Other Funds (Note 4)	1,073			1,073
Total Liabilities	<u>53,119</u>	<u>23,981</u>	<u>1,911</u>	<u>79,011</u>
Fund Balances (Note 1H):				
Nonspendable	1,000		3,288	4,288
Restricted	231,012	4,674	119,698	355,384
Committed			5,114	5,114
Assigned	124,861			124,861
Unassigned	840,466			840,466
Total Fund Balances	<u>1,197,339</u>	<u>4,674</u>	<u>128,100</u>	<u>1,330,113</u>
Total Liabilities and Fund Balances	<u>\$ 1,250,458</u>	<u>\$ 28,655</u>	<u>\$ 130,011</u>	<u>\$ 1,409,124</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

Total fund balance - governmental funds	\$	1,330,113
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets, at historical cost	\$	12,795,369	
Accumulated depreciation		<u>(6,521,788)</u>	
Net			6,273,581

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

Net pension liability	\$	3,611,808	
Capital lease obligations		15,807	
Early retirement incentives		47,000	
Compensated absences		<u>16,152</u>	
Total			(3,690,767)

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

Deferred outflows of resources relating to pensions	\$	1,007,779	
Deferred inflows of resources relating to pensions		<u>(453,835)</u>	
Net			<u>553,944</u>

Total net position - governmental activities	\$	<u><u>4,466,871</u></u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

	General Fund	Child Development Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula				
State Apportionments	\$ 1,129,652		\$ 32,000	\$ 1,161,652
Local Sources	<u>1,801,137</u>			<u>1,801,137</u>
Total Local Control Funding Formula Sources	2,930,789		32,000	2,962,789
Federal Revenue	162,972		113,527	276,499
Other State Revenue	290,087	\$ 37,206	37,367	364,660
Other Local Revenue	<u>148,749</u>	<u>2,800</u>	<u>71,943</u>	<u>223,492</u>
Total Revenues	<u>3,532,597</u>	<u>40,006</u>	<u>254,837</u>	<u>3,827,440</u>
EXPENDITURES				
Certificated Salaries	1,213,974			1,213,974
Classified Salaries	587,777	18,402	61,921	668,100
Employee Benefits	646,426	4,343	22,451	673,220
Books and Supplies	134,721	3,765	76,818	215,304
Services and Other				
Operating Expenditures	538,882	317	41,877	581,076
Capital Outlay	32,053	7,000	29,687	68,740
Debt Service:				
Principal Retirement			30,558	30,558
Interest and Fiscal Charges			1,785	1,785
Other Outgo	<u>76,998</u>	<u>2,578</u>	<u>9,545</u>	<u>89,121</u>
Total Expenditures	<u>3,230,831</u>	<u>36,405</u>	<u>274,642</u>	<u>3,541,878</u>
Excess of Revenues Over (Under) Expenditures	<u>301,766</u>	<u>3,601</u>	<u>(19,805)</u>	<u>285,562</u>
Other Financing Sources (Uses):				
Operating Transfers In (Note 4)		1,073	53,880	54,953
Operating Transfers Out (Note 4)	<u>(54,953)</u>			<u>(54,953)</u>
Total Other Financing Sources (Uses)	<u>(54,953)</u>	<u>1,073</u>	<u>53,880</u>	<u>0</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	246,813	4,674	34,075	285,562
Fund Balances - July 1, 2017	<u>950,526</u>	<u>0</u>	<u>94,025</u>	<u>1,044,551</u>
Fund Balances - June 30, 2018	<u>\$ 1,197,339</u>	<u>\$ 4,674</u>	<u>\$ 128,100</u>	<u>\$ 1,330,113</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

Net change in fund balances - total governmental funds	\$	285,562
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Amounts reported for governmental activities in the statement of activities are different because:

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

Expenditures for capital outlay	\$	75,480	
Depreciation expense		(254,083)	
Net			(178,603)

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

(91,002)

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

30,558

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

8,496

Other expenditures relating to prior periods: Certain expenditures recognized in governmental funds relate to prior periods. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations are first incurred, so they must not be recognized again in the current period. Expenditures relating to early retirement incentives offered in prior periods were:

18,000

Total change in net position - governmental activities	\$	73,011
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

	Agency Fund Student Body Account
ASSETS	
Cash (Note 2)	\$ 17,224
Total Assets	<u>\$ 17,224</u>
LIABILITIES	
Due to Student Groups	\$ 17,224
Total Liabilities	<u>\$ 17,224</u>
Total Net Position	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Pioneer Union School District, this includes general operations, food service and student related activities of the District. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

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

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

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements:

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

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

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

C. Basis of Accounting

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

Revenues - exchange and non-exchange transactions:

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

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

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

Expenses/expenditures:

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

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

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

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

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Child Development Fund is used to account separately for restricted state and local revenues to operate child development programs.

Additionally, the District reports the following fund type:

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

E. Budgets and Budgetary Accounting

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

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

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

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Encumbrances

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

G. Estimates

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

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

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

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

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

2. Stores Inventory

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used.

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

2. Stores Inventory (Concluded)

Reported inventories are equally offset by nonspendable fund balance, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's cafeteria inventory valuation is First-in-First-out (FIFO).

3. Prepaid Expenditures

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

4. Capital Assets

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

5. Deferred Outflows/Inflows of Resources

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

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

6. 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.

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

7. Pensions

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

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

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

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

8. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave.

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

8. Compensated Absences (Concluded)

Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

9. Long-Term Obligations

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

10. Net Position

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

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

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

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

11. Use of Restricted/Unrestricted Net Position

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

12. Fund Equity

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

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

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

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

12. Fund Equity (Continued)

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

Assigned Fund Balance - Includes amounts the District intends to use for a specific purpose. Assignments may be established by the Superintendent with the recommendation of the Chief Fiscal Officer and confirmed by the District Governing Board.

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

Fund Balances

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

	General Fund	Child Development Fund	Other Governmental Funds	Total
Nonspendable:				
Revolving Fund	\$ 1,000			\$ 1,000
Stores Inventory			\$ 3,288	3,288
Total Nonspendable Fund Balance	<u>1,000</u>		<u>3,288</u>	<u>4,288</u>
Restricted For:				
Legally Restricted Categorical Funding	231,012			231,012
State Preschool Program		\$ 4,674		4,674
Purposes Specified in Government Code Sections 65970-65987			119,390	119,390
State Grant Funded Water Tank			308	308
Total Restricted Fund Balance	<u>231,012</u>	<u>4,674</u>	<u>119,698</u>	<u>355,384</u>
Committed For:				
Projects Described in 5 Year Deferred Maintenance Plan			5,114	5,114
Total Committed Fund Balance	<u>0</u>	<u>0</u>	<u>5,114</u>	<u>5,114</u>
Assigned For:				
Compensated Absences	16,152			16,152
Technology	4,423			4,423
Early Retirement Incentives	47,000			47,000
Library Fund	1,547			1,547
Pupil Transportation	11,077			11,077
Various Donations	5,396			5,396
Program Carryover	29,266			29,266
Textbook Adoption	10,000			10,000
Total Assigned Fund Balance	<u>124,861</u>	<u>0</u>	<u>0</u>	<u>124,861</u>
Unassigned:				
Reserve for Economic Uncertainties	164,289			164,289
Other Unassigned	676,177			676,177
Total Unassigned Fund Balance	<u>840,466</u>	<u>0</u>	<u>0</u>	<u>840,466</u>
Total Fund Balances	<u>\$ 1,197,339</u>	<u>\$ 4,674</u>	<u>\$ 128,100</u>	<u>\$ 1,330,113</u>

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

12. Fund Equity (Concluded)

Fund Balance Policy

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

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

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

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

13. Local Control Funding Formula/Property Tax

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

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

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*.

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

13. Local Control Funding Formula/Property Tax (Concluded)

This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

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

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

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

I. Impact of Recently Issued Accounting Pronouncements

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June, 2015. This Statement's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB) by establishing measurement criteria for the liability. The intent is to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial statements by requiring the recognition of the entire OPEB liability and a broader measure of OPEB expense. This Statement is effective beginning in fiscal year 2017-2018. The District does not offer any benefits considered to be Other Postemployment Benefits subject to GASB Statement 75.

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

The GASB issued Statement 85, *Omnibus 2017* in March, 2017. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements.

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Impact of Recently Issued Accounting Pronouncements (Concluded)

Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The Statement is effective beginning in fiscal year 2017-2018. The District has implemented GASB Statement 85 for the fiscal year ended June 30, 2018.

NOTE 2 - CASH

A. Summary of Cash

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

<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
<u>\$1,333,686</u>	<u>\$17,224</u>	<u>\$1,350,910</u>

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

	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Credit Quality Rating</u>
Cash in Commercial Bank	\$ 17,224	\$ 17,224	Not Rated
Cash in Revolving Fund	1,000	1,000	Not Rated
Cash in County Treasury	1,331,103	1,332,686	Not Rated
Total Cash	<u>\$ 1,349,327</u>	<u>\$ 1,350,910</u>	

B. Policies and Practices

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

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

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

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - CASH (CONTINUED)

B. Policies and Practices (Concluded)

Cash in Commercial Banks

Cash balances held in commercial banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). These amounts are held within various financial institutions. As of June 30, 2018 the carrying amount of the District's accounts was \$18,224, all of which was insured.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as an involuntary participant of a common investment pool, which totaled \$497,642,747. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$497,051,566. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

C. Risk Disclosures

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

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Interest Rate Risk (Concluded) - The District manages its exposure to interest rate risk by investing in the County Pool and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 4</u>	<u>More than 4</u>
County Treasury	<u>\$ 1,331,103</u>	<u>\$ 1,232,335</u>	<u>\$ 98,768</u>	<u>\$ 0</u>

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - CASH (CONCLUDED)

C. Risk Disclosures (Concluded)

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

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

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

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

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

NOTE 3 - ACCOUNTS RECEIVABLE

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

	General Fund	Child Development Fund	Other Governmental Funds	Total
Federal Government				
Categorical Aid Programs	\$ 601			\$ 601
State Government				
Categorical Aid Programs		\$ 15,297		15,297
Lottery	31,125			31,125
Miscellaneous	23,181		\$ 873	24,054
Total Accounts Receivable	\$ 54,907	\$ 15,297	\$ 873	\$ 71,077

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivable and payable balances at June 30, 2018 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds		
General Fund		\$ 1,073
Child Development Fund	\$ 1,073	
Total	<u>\$ 1,073</u>	<u>\$ 1,073</u>

Interfund Transfers

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds		
General Fund		\$ 54,953
Child Development Fund	\$ 1,073	
Non-Major Governmental Funds		
Cafeteria Fund	<u>53,880</u>	
Total	<u>\$ 54,953</u>	<u>\$ 54,953</u>

The District transferred \$53,880 from the General Fund to the Cafeteria Fund to supplement program operations and provide positive cash flow.

The District transferred \$1,073 from the General Fund to the Child Development Fund to supplement program operations and provide positive cash flow.

PIONEER UNION SCHOOL DISTRICT
NOTES TO 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, is shown below:

	Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 95,110			\$ 95,110
Work in progress	78,082	\$ 45,221		123,303
Total capital assets, not being depreciated	<u>173,192</u>	<u>45,221</u>		<u>218,413</u>
Capital assets being depreciated:				
Buildings	11,727,745			11,727,745
Improvements of sites	241,124			241,124
Equipment	577,828	30,259		608,087
Total capital assets, being depreciated	<u>12,546,697</u>	<u>30,259</u>		<u>12,576,956</u>
Less accumulated depreciation for:				
Buildings	5,535,910	230,850		5,766,760
Improvements of sites	231,848	8,563		240,411
Equipment	499,947	14,670		514,617
Total accumulated depreciation	<u>6,267,705</u>	<u>254,083</u>		<u>6,521,788</u>
Total capital assets, being depreciated, net	<u>6,278,992</u>	<u>(223,824)</u>		<u>6,055,168</u>
Governmental activities capital assets, net	<u>\$ 6,452,184</u>	<u>\$ (178,603)</u>	<u>\$ 0</u>	<u>\$ 6,273,581</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	\$ 91,721
Instructional library and media technology	22,256
School site administration	2,567
Home-to-school transportation	7,912
Food services	1,929
Plant services	372
Centralized data processing	1,785
Unallocated	<u>125,541</u>
Total	<u>\$ 254,083</u>

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 - LONG-TERM DEBT

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
Capital Lease Obligations	\$ 46,365		\$ 30,558	\$ 15,807	\$ 15,807
Early Retirement Incentives	65,000		18,000	47,000	18,000
Compensated Absences	24,648		8,496	16,152	16,152
Net Pension Liability	3,267,183	\$ 344,625		3,611,808	
Totals	<u>\$ 3,403,196</u>	<u>\$ 344,625</u>	<u>\$ 57,054</u>	<u>\$ 3,690,767</u>	<u>\$ 49,959</u>

The compensated absences, early retirement incentive and pension liability will be paid by the General Fund. Payments on the capital lease obligations will be paid by the Deferred Maintenance Fund.

NOTE 7 - LEASES

Capital Lease Obligations

The District leases equipment under agreements, which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
2019	\$ 16,171
Less amounts representing interest	<u>364</u>
Present value of net minimum lease payments	<u>\$ 15,807</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

NOTE 8 - EARLY RETIREMENT INCENTIVES

In addition to the pension benefits described in Note 9, the District has provided retirement incentive offerings in prior fiscal years. The benefits offered were established each year to meet the District's staffing needs and financial constraints, implemented as a cost savings strategy and required no further services to be performed by the retiree.

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - EARLY RETIREMENT INCENTIVES (CONCLUDED)

Three retirees are entitled to future benefits under the incentives offered in prior years. The projected costs for these participants for future years accrued as long-term debt in the District's Government-wide financial statements are as follows:

Year Ended June 30	Early Retirement Incentives
2019	\$ 18,000
2020	16,000
2021	7,000
2022	6,000
Total	<u>\$ 47,000</u>

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS

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

Pension Plan	Net Pension Liability	Deferred Outflows Related to Pensions	Deferred Inflows Related to Pensions	Pension Expense
CalSTRS	\$ 2,181,089	\$ 570,414	\$ 352,281	\$ 164,409
CalPERS	1,430,719	437,365	101,554	199,397
Totals	<u>\$ 3,611,808</u>	<u>\$ 1,007,779</u>	<u>\$ 453,835</u>	<u>\$ 363,806</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description. The Pioneer Union School District contributes to the State Teachers' Retirement Plan (STRP), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by California State Teachers' Retirement System (CalSTRS). The State of California is a Nonemployer Contributing Entity to the STRP. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law.

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Plan Description (Concluded). Although CalSTRS is the administrator of the STRP, the State of California is the sponsor of the STRP and obligor of the trust. In addition, the State of California is both an employer and nonemployer contributing entity to the STRP. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

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

Contributions. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. Active plan members under the 2% at 60 formula are required to contribute 10.25% of their salary and active plan members under the 2% at 62 formula are required to contribute 9.205% for the year ended June 30, 2018. The Pioneer Union School District and the State of California are required to contribute actuarially determined rates. The actuarial methods and assumptions used for determining the rates are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016-2017 was 12.58% and for fiscal year 2017-2018 was 14.43% of annual payroll.

The required State contribution rate for fiscal year 2016-2017 the rate was 8.828% and for fiscal year 2017-2018 the rate was 9.328%. The Pioneer Union School District's contributions to CalSTRS for the fiscal years ending June 30, 2018 and 2017 were \$158,276 and \$157,866, respectively, and equal 100% of the required contributions for each year.

Contribution by District	\$ 158,276
Contribution by State	104,930
Total Contribution in 2017-2018	<u>\$ 263,206</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$2,181,089 for its proportionate share of the net pension liability for the STRP. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016.

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued). The District's proportion of the net pension liability was based on a projection of the District's and the State of California's (non-employer contributing entity) long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State of California, actuarially determined. At June 30, 2017, the District's proportion of contributions was 0.0024 percent, a decrease of 0.00006 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$164,409 which included the State's required on-behalf contribution of \$37,086. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	\$ 8,066	\$ 38,042
Changes in assumptions	404,072	
Net difference between projected and actual earnings on pension plan investments		58,088
Changes in proportion and differences between District contributions and proportionate share of contributions		256,151
District contributions subsequent to measurement date of June 30, 2017	<u>158,276</u>	
Totals	<u>\$ 570,414</u>	<u>\$ 352,281</u>

The \$158,276 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources related to pensions and deferred inflows of resources related to pension will be recognized as increases or decreases respectively in pension expense as follows:

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded).

	<u>Outflows</u>	<u>Inflows</u>
June 30, 2019	\$ 68,689	\$ 111,922
June 30, 2020	68,689	27,037
June 30, 2021	68,689	58,370
June 30, 2022	68,689	115,279
June 30, 2023	68,689	32,853
June 30, 2024	<u>68,693</u>	<u>6,820</u>
Total	<u>\$ 412,138</u>	<u>\$ 352,281</u>

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

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

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

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

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

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

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

* 20-year geometric average

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

<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%

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

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

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

<u>Discount Rate</u>	<u>Net Pension Liability of Employers</u>
3% Decrease (4.10%)	\$ 6,134,973
2% Decrease (5.10%)	\$ 4,494,133
1% Decrease (6.10%)	\$ 3,202,531
Current Discount Rate (7.10%)	\$ 2,181,089
1% Increase (8.10%)	\$ 1,352,120
2% Increase (9.10%)	\$ 667,935
3% Increase (10.10%)	\$ 100,729

B. California Public Employees Retirement System (CalPERS)

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

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Contributions. The benefits for the defined benefit pension plan are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the employee's date of hire. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. The Pioneer Union School District is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. The required employer contribution rates on applicable annual payroll for the fiscal years ending June 30, 2018 and 2017 were 15.531% and 13.888%, respectively. The Pioneer Union School District's employer contributions to CalPERS for the fiscal years ending June 30, 2018 and 2017 were \$114,528 and \$107,002, respectively and equal 100% of the required contributions for each year.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$1,430,719 for its proportionate share of the net pension liability for the PERF B. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2017, the District's proportion of contributions was 0.0060 percent, a decrease of 0.00063 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$199,397. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded).

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	\$ 51,257	
Changes in assumptions	208,979	\$ 16,845
Net difference between projected and actual earnings on pension plan investments	49,493	
Changes in proportion and differences between District contributions and proportionate share of contributions	13,108	84,709
District contributions subsequent to measurement date of June 30, 2017	<u>114,528</u>	
Totals	<u>\$ 437,365</u>	<u>\$ 101,554</u>

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

	<u>Outflows</u>	<u>Inflows</u>
June 30, 2019	\$ 111,213	\$ 52,783
June 30, 2020	140,266	33,986
June 30, 2021	98,460	14,785
June 30, 2022	<u>(27,102)</u>	
Total	<u>\$ 322,837</u>	<u>\$ 101,554</u>

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

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

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

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

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

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

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

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

Discount Rate	Plan's Net Pension Liability
1% Decrease (6.15%)	\$ 2,105,046
Current Discount Rate (7.15%)	\$ 1,430,719
1% Increase (8.15%)	\$ 871,308

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

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

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

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

New Strategic Asset Class	Real Return Allocation	Real Return Years 1-10 ¹	Years 11+ ²
Global Equity	47%	4.90%	5.38%
Fixed Income	19%	0.80%	2.27%
Inflation Assets	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Cash/Liquidity	2%	(0.40%)	(0.90%)

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

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

C. Social Security

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

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. Litigation

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

B. State and Federal Allowances, Awards and Grants

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

C. Joint Ventures

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

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

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

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

PIONEER UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - RISK MANAGEMENT (CONCLUDED)

B. Workers' Compensation

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

NOTE 12 - SUBSEQUENT EVENT

Management has evaluated subsequent events through November 19, 2018, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts (GAAP Basis)	Final Budget - Positive (Negative)
REVENUES				
Local Control Funding Formula Sources:				
State Apportionments	\$ 1,174,931	\$ 1,134,341	\$ 1,129,652	\$ (4,689)
Local Sources	1,692,494	1,784,016	1,801,137	17,121
Total Local Control Funding Formula Sources	2,867,425	2,918,357	2,930,789	12,432
Federal Revenue	130,825	163,910	162,972	(938)
Other State Revenue	191,228	311,485	290,087	(21,398)
Other Local Revenue	114,892	131,653	148,749	17,096
Total Revenues	3,304,370	3,525,405	3,532,597	7,192
EXPENDITURES				
Certificated Salaries	1,235,862	1,214,976	1,213,974	1,002
Classified Salaries	597,337	597,152	587,777	9,375
Employee Benefits	684,407	669,893	646,426	23,467
Books and Supplies	384,691	148,336	134,721	13,615
Services and Other Operating Expenditures	497,428	591,019	538,882	52,137
Capital Outlay	23,739	76,549	32,053	44,496
Other Outgo	51,612	73,366	76,998	(3,632)
Total Expenditures	3,475,076	3,371,291	3,230,831	140,460
Excess of Revenues Over (Under) Expenditures	(170,706)	154,114	301,766	147,652
Other Financing Sources (Uses): Operating Transfers Out	(44,401)	(67,770)	(54,953)	12,817
Excess of Revenues Over (Under) Expenditures and Other Uses	(215,107)	86,344	246,813	160,469
Fund Balances - July 1, 2017	816,354	950,526	950,526	0
Fund Balances - June 30, 2018	\$ 601,247	\$ 1,036,870	\$ 1,197,339	\$ 160,469

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PIONEER UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL
CHILD DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget - Positive (Negative)
<u>Revenues</u>				
Other State Revenue		\$ 46,331	\$ 37,206	\$ (9,125)
Other Local Revenue		2,248	2,800	552
Total Revenues	\$ 0	48,579	40,006	(8,573)
<u>Expenditures</u>				
Classified Salaries		18,137	18,402	(265)
Employee Benefits		4,988	4,343	645
Books and Supplies		15,102	3,765	11,337
Services and Other				
Operating Expenditures		492	317	175
Capital Outlay		7,000	7,000	
Other Outgo		2,860	2,578	282
Total Expenditures	0	48,579	36,405	12,174
Excess of Revenues Over (Under) Expenditures	0	0	3,601	3,601
Other Financing Sources: Operating Transfers In			1,073	1,073
Excess of Revenues and Other Sources Over Expenditures	0	0	4,674	4,674
Fund Balances - July 1, 2017	0	0	0	0
Fund Balances - June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,674</u>	<u>\$ 4,674</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PIONEER UNION SCHOOL DISTRICT
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

California State Teachers' Retirement System (CalSTRS)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0024%	0.0024%	0.0038%	0.0030%
District's proportionate share of the net pension liability	\$ 2,181,089	\$ 1,959,344	\$ 1,849,554	\$ 1,753,110
State's proportionate share of the net pension liability associated with the District	<u>1,290,325</u>	<u>1,115,583</u>	<u>2,061,819</u>	<u>1,073,575</u>
Total	<u>\$ 3,471,414</u>	<u>\$ 3,074,927</u>	<u>\$ 3,911,373</u>	<u>\$ 2,826,685</u>
District's covered-employee payroll	\$ 1,254,897	\$ 1,220,876	\$ 1,256,565	\$ 1,344,691
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174%	161%	147%	130%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	74%	77%

Public Employee Retirement System (CalPERS)

District's proportion of the net pension liability	0.0060%	0.0066%	0.0068%	0.0064%
District's proportionate share of the net pension liability	\$ 1,430,719	\$ 1,307,839	\$ 998,255	\$ 726,556
District's covered-employee payroll	\$ 770,464	\$ 794,783	\$ 749,834	\$ 672,413
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	186%	165%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PIONEER UNION SCHOOL DISTRICT

SCHEDULES OF THE DISTRICT'S CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

California State Teachers' Retirement System (CalSTRS)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 158,276	\$ 157,866	\$ 131,000	\$ 111,583
Contributions in relation to the contractually required contribution	<u>(158,276)</u>	<u>(157,866)</u>	<u>(131,000)</u>	<u>(111,583)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	<u>\$ 1,096,854</u>	<u>\$ 1,254,897</u>	<u>\$ 1,220,876</u>	<u>\$ 1,256,565</u>
Contributions as a percentage of covered-employee payroll	<u>14.430%</u>	<u>12.580%</u>	<u>10.730%</u>	<u>8.880%</u>

Public Employee Retirement System (CalPERS)

Contractually required contribution	\$ 114,528	\$ 107,002	\$ 94,159	\$ 88,263
Contributions in relation to the contractually required contribution	<u>(114,528)</u>	<u>(107,002)</u>	<u>(94,159)</u>	<u>(88,263)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	<u>\$ 737,415</u>	<u>\$ 770,464</u>	<u>\$ 794,792</u>	<u>\$ 749,834</u>
Contributions as a percentage of covered-employee payroll	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PIONEER UNION SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

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

As of June 30, 2018, excess of expenditures over appropriations in individual funds were as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Major Governmental Funds:	
General Fund	
Other Outgo	\$ 3,632
Child Development Fund	
Classified Salaries	265
Non-Major Governmental Funds:	
Capital Facilities Fund	
Contract Services	30

The District incurred unanticipated expenditures for which the budgets were not revised at year end.

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

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

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

C. Schedules of the District's Contributions

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

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

SUPPLEMENTARY INFORMATION SECTION

PIONEER UNION SCHOOL DISTRICT

SOMERSET, CALIFORNIA

JUNE 30, 2018

ORGANIZATION

The Pioneer Union School District was established in 1966 by the consolidation of five elementary schools. The District is in Somerset, California. There was no change in District boundaries during the year. The District operates an elementary school, middle school and one necessary small school.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
John Kahling	Chairperson	December, 2020
Bruce Bowers	Vice Chairperson	December, 2018
Stephanie Wunschel	Clerk	December, 2018
Jody Westfall	Member	December, 2018
Nanette Hargo	Member	December, 2020

ADMINISTRATION

Annette Lane
Superintendent

Beth Roberts
Chief Fiscal Officer

PIONEER UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA		
Transitional Kindergarten through Third	135	135
Fourth through Sixth	89	89
Seventh and Eighth	<u>68</u>	<u>68</u>
ADA Totals	<u><u>292</u></u>	<u><u>292</u></u>

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

SEE NOTES TO SUPPLEMENTARY INFORMATION

PIONEER UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2017-2018 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
TK/Kindergarten	36,000	57,490	180	In Compliance
Grade 1	50,400	52,765	180	In Compliance
Grade 2	50,400	52,765	180	In Compliance
Grade 3	50,400	52,765	180	In Compliance
Grade 4	54,000	54,790	180	In Compliance
Grade 5	54,000	56,674	180	In Compliance
Grade 6	54,000	56,674	180	In Compliance
Grade 7	54,000	56,674	180	In Compliance
Grade 8	54,000	56,674	180	In Compliance

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

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

PIONEER UNION SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

SEE NOTES TO SUPPLEMENTARY INFORMATION

PIONEER UNION SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL
REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Auditor's Comments

The audited financial statements of all funds were in agreement with the Unaudited Actual Financial Report for the year ended June 30, 2018.

PIONEER UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget 2018-2019	2017-2018	2016-2017	2015-2016
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 3,462,849	\$ 3,532,597	\$ 3,416,322	\$ 3,462,741
Expenditures	3,517,093	3,230,831	3,328,695	3,275,866
Other Uses and Transfers Out	48,580	54,953	59,434	33,673
Total Outgo	3,565,673	3,285,784	3,388,129	3,309,539
Change in Fund Balance (Decrease)	(102,824)	246,813	28,193	153,202
Ending Fund Balance	\$ 934,046	\$ 1,197,339	\$ 950,526	\$ 922,333
Available Reserves	\$ 822,605	\$ 840,466	\$ 169,406	\$ 619,922
Reserve for Economic Uncertainties	\$ 178,284	\$ 164,289	\$ 169,406	\$ 165,477
Unassigned Fund Balance	\$ 644,321	\$ 676,177	\$ 0	\$ 454,445
Available Reserves as a Percentage of Total Outgo	23.1%	25.6%	5.0%	18.7%
Total Long-Term Debt	\$ 3,656,960	\$ 3,690,767	\$ 3,403,196	\$ 2,942,796
Average Daily Attendance at P-2	274	292	294	288

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.

Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

General fund balance has increased \$428,208 during the past three years. A decrease of \$102,824 is budgeted for 2018-2019. For a district this size, the state recommends available reserves of at least 5% of total general fund expenditures, other uses and transfers out (total outgo.) Average daily attendance has increased by 4 during the past two years. The District had anticipated a sharper decline in enrollment for 2017-2018 and had assigned \$490 thousand of the ending fund balance in 2016-2017 for protection until reductions could be made.

Long-Term Debt increased \$747,971 during the past two years, primarily due to the increase in the District's proportionate share of unfunded net pension liability.

The amounts reported as Budget 2018-2019 is presented for additional analysis and has not been audited.

SEE NOTES TO SUPPLEMENTARY INFORMATION

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

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
ASSETS					
Cash	\$ 1,038	\$ 5,114	\$ 119,390	\$ 308	\$ 125,850
Accounts Receivable	873				873
Stores Inventory	3,288				3,288
Total Assets	<u>\$ 5,199</u>	<u>\$ 5,114</u>	<u>\$ 119,390</u>	<u>\$ 308</u>	<u>\$ 130,011</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	<u>\$ 1,911</u>				<u>1,911</u>
Total Liabilities	<u>1,911</u>				<u>1,911</u>
Fund Balances:					
Nonspendable	3,288				3,288
Restricted			\$ 119,390	\$ 308	119,698
Committed		<u>\$ 5,114</u>			<u>5,114</u>
Total Fund Balances	<u>3,288</u>	<u>5,114</u>	<u>119,390</u>	<u>308</u>	<u>128,100</u>
Total Liabilities and Fund Balances	<u>\$ 5,199</u>	<u>\$ 5,114</u>	<u>\$ 119,390</u>	<u>\$ 308</u>	<u>\$ 130,011</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
REVENUES					
Local Control Funding Formula Sources:					
State Apportionments		\$ 32,000			\$ 32,000
Federal Revenue	\$ 113,527				113,527
Other State Revenue	7,343			\$ 30,024	37,367
Other Local Revenue	19,455	(18)	\$ 52,535	(29)	71,943
Total Revenues	140,325	31,982	52,535	29,995	254,837
EXPENDITURES					
Classified Salaries	61,921				61,921
Employee Benefits	22,451				22,451
Books and Supplies	74,673	2,145			76,818
Services and Other					
Operating Expenditures	23,402	6,918	11,557		41,877
Capital Outlay				29,687	29,687
Debt Service:					
Principal Retirement		30,558			30,558
Interest and Fiscal Charges		1,785			1,785
Other Outgo	9,545				9,545
Total Expenditures	191,992	41,406	11,557	29,687	274,642
Excess of Revenues Over (Under) Expenditures	(51,667)	(9,424)	40,978	308	(19,805)
Other Financing Sources:					
Operating Transfers In	53,880				53,880
Excess of Revenues and Other Sources Over (Under) Expenditures	2,213	(9,424)	40,978	308	34,075
Fund Balances - July 1, 2017	1,075	14,538	78,412	0	94,025
Fund Balances - June 30, 2018	\$ 3,288	\$ 5,114	\$ 119,390	\$ 308	\$ 128,100

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

	Balance <u>July 01, 2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2018</u>
<u>Student Body Account</u>				
ASSETS				
Cash	\$ 15,677	\$ 35,469	\$ 33,922	\$ 17,224
LIABILITIES				
Due to Student Groups	\$ 15,677	\$ 35,469	\$ 33,922	\$ 17,224

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PIONEER UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

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

C. Schedule of Charter Schools

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

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

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

E. Schedule of Financial Trends and Analysis

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

F. Combining Statements and Individual Fund Schedules

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION



Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Pioneer Union School District
Somerset, California

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pioneer Union School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Pioneer Union School District's basic financial statements and have issued my report thereon dated November 19, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



MICHELLE M. HANSON
Certified Public Accountant

November 19, 2018



Certified Public Accountant

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

Board of Trustees
Pioneer Union School District
Somerset, California

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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

<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 next page)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort (MOE)	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Office of Education and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	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	Not Applicable
Mode of Instruction	Not Applicable
Non-Classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non-Classroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

Opinion on Each State Government Program

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

Other Matters

The results of my auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2017-2018 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which is described in the accompanying schedule of findings and responses as item 2018-001. My opinion on State government programs is not modified with respect to this matter.

Pioneer Union School District's Response to Findings

Pioneer School District's response to the finding identified in my audit is described in the accompanying schedule of findings and responses. Pioneer School District's responses was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



MICHELLE M. HANSON
Certified Public Accountant

November 19, 2018

FINDINGS AND RESPONSES SECTION

PIONEER UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
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 weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

State Awards

Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Type of auditor's report issued on compliance for state programs:	Unmodified	

PIONEER UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section II - Financial Statements Findings and Responses

No matters are reported.

Section III - Federal Award Findings and Responses

No matters are reported.

Section IV - State Award Findings and Responses

2018 - 001 - CLASSROOM TEACHER SALARIES - 61000

Criteria: *California Education Code* Section 41372 requires a minimum percentage of expenditures be charged for classroom teacher salaries. For elementary school districts, this percentage is 60%. *Education Code* Section 41374 provides an exemption to this requirement if the District maintains class sizes at or below 28 pupils.

Statement of Condition: During the audit of the Classroom Teacher Salaries, it was noted the District did not meet the minimum "Percentage of Current Cost of Education Expended for Classroom Compensation" and was not exempt under the provisions of *Education Code* Section 41374.

Cause: Classroom teacher salaries were less than the State requirement.

Effect or Potential Effect: By not meeting the minimum percentage as established by *Education Code* Section 41372, the District is out of compliance with the established regulation and law.

Questioned Costs:

Current Expense of Education	\$2,765,613
Total Salaries and Benefits	\$1,548,996
Percentage Spent By District	56.01%
Minimum Percentage Required	60.00%
Deficiency Amount	\$ 101,348

Recommendation: The District should implement procedures to ensure the minimum percentage is met, or maintain class sizes at or below 28 pupils to qualify for the exemption provisions of *Education Code* Section 41374.

View of Responsible Official: The District will be filing for a waiver with the El Dorado County Office of Education for 2017/18. As the demographics of our District change to a less senior staff, we are continuing to watch staffing levels and class sizes as it pertains to this requirement. With the retirement of the Principal and returning to a Superintendent/Principal model in 2018/19, the District anticipates meeting the required percentage in 2018/19.

PIONEER UNION SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2018

2017 - 001: The District should implement improved internal controls by having journal entries (TV/TF) reviewed by someone other than the person creating the entry, knowledgeable about accounting principles, prior to entry to the general ledger.

Current Status:

Accepted
Implemented

2017 - 002: The District was not in compliance with the minimum percentage of expenditures for classroom teacher salaries required pursuant to *California Education Code* Section 41372. The District should implement procedures to ensure the minimum percentage is met, or maintain class sizes at or below 28 pupils to qualify for the exemption provisions of *California Education Code* Section 41374.

Current Status:

Accepted
Partially Implemented – The District reduced the deficiency between total classroom salaries and benefits from \$103,203 in 2016-2017 to \$101,348 in 2017-2018, however the percentage of total expenditures did not meet the statutory requirement of 60% in 2017-2018. The El Dorado County Office of Education has approved a waiver from penalty for 2016-2017.

Comment repeated, see current year finding 2018-001.