

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2018

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Tahoe Truckee Unified School District
Truckee, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This Statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 16 and the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions (Pensions) on pages 55 to 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tahoe Truckee Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 on our consideration of Tahoe Truckee Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tahoe Truckee Unified School District's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
December 10, 2018

**TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

This section of Tahoe-Truckee Unified School District's annual financial report presents District management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 2, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 17 through 18, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 19 through 24, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- The District's Financial status remains positive. The total net position increased by \$7,041,619 or 12.52%.
- Capital assets, net of depreciation, increased by \$37,366,834. Capital assets are mainly financed by developer Fees, State matching funds, federal grants, and Measure E, Measure U and Measure R bond proceeds.
- Long-term debt increased by \$54,961,204 due to the issuance of GO Bond in the amount of \$52,500,000 and increase of net STRS and PERS pension liabilities and OPEB liabilities as required by GASB 68 and GASB 75, respectively.
- October Enrollment in the District decreased 20 students from 3,941 to 3,921.
- The District maintains reserves that exceed the state required 3% minimum Reserve for Economic Uncertainties (REU). The total General Fund REU increased from 12.7% to 12.8%.

THE FINANCIAL REPORT

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
 - ❖ Basic services funding is described in the governmental fund statements. These statements include short-term financing and identify the balance remaining for future spending.
 - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.
 - ❖ Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

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

Reporting the District as a Whole

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

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

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

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

Governmental Activities:

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

Reporting the District's Most Significant Funds:

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

Major Governmental Funds

The major governmental funds of Tahoe-Truckee Unified School District are the General Fund, the Building Fund and Bond Interest & Redemption Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

All Non-Major Funds

The District provides additional services that are outside of the General Fund and are minor in nature. These services include Adult Education, Child Development, Cafeteria, Deferred Maintenance and Capital Facilities Funds.

Fiduciary Funds

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's net position increased from \$56,256,707 at June 30, 2017 to \$63,298,066 at June 30, 2018. This results in an increase of \$7,041,619 to the 2017 - 2018 net position. However, it should be noted that the ending net position as of July 1, 2017 for the 2016 – 2017 fiscal year was restated from \$58,456,707 to \$56,256,707

Statement of Net Position		
	2017 - 2018	2016 - 2017
Current and Other Assets	\$ 166,192,244	\$ 149,670,145
Capital Assets	209,481,070	172,114,236
Total Assets	375,673,314	321,784,381
Deferred Outflows of resources	20,450,428	12,450,800
Current Liabilities	13,197,392	12,656,394
Other and Long Term Liabilities	316,014,284	261,053,080
Total Liabilities	329,211,676	273,709,474
Deferred Inflows of resources	3,614,000	2,069,000
Invested in capital assets, net of related debt	87,863,927	72,531,146
Restricted	42,018,667	41,692,851
Unrestricted	(66,584,528)	(55,767,290)
Total Net Position	\$ 63,298,066	\$ 58,456,707
Table includes financial data of the combined government funds		

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

The District net position increased by \$7,041,619 during fiscal year 2017 - 2018.

Changes In Net Position		
<i>Revenues</i>	2017 - 2018	2016 - 2017
Program Revenues:		
Charge For Services	\$ 557,452	\$ 504,070
Operating Grants	12,651,731	9,271,127
General Revenues:		
Property Taxes	68,642,998	66,772,907
Federal & State Aid	2,595,721	2,676,021
Other	10,051,974	4,858,619
	<u>94,499,876</u>	<u>84,082,744</u>
Program Expenses		
Instruction	36,274,677	36,352,235
Instruction Related Services	8,683,502	7,970,894
Pupil Services	9,481,254	8,608,371
General Administration	4,013,314	3,667,987
Plant Services	12,855,138	12,641,313
Ancillary Services	1,006,058	883,369
Community Services	10,000	33,212
Other	<u>15,134,314</u>	<u>7,629,446</u>
Total Expenses	87,458,257	77,786,827
Increase in Net Position	7,041,619	6,295,917
Net Position- Beginning	<u>58,456,707</u>	<u>52,160,790</u>
Net Position- Ending as previously stated July 1, 2017	<u>58,456,707</u>	<u>58,456,707</u>
Restatement for July 1, 2017	<u>(2,200,260)</u>	<u>-</u>
Net Position July 1, 2017 as restated	<u>56,256,447</u>	<u>-</u>
Net Position- Ending	<u>\$ 63,298,066</u>	<u>\$ 58,456,707</u>
Table includes financial data of the combined government funds		

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

The table below presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$74,249,074 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed. Further detail is available in the audit report.

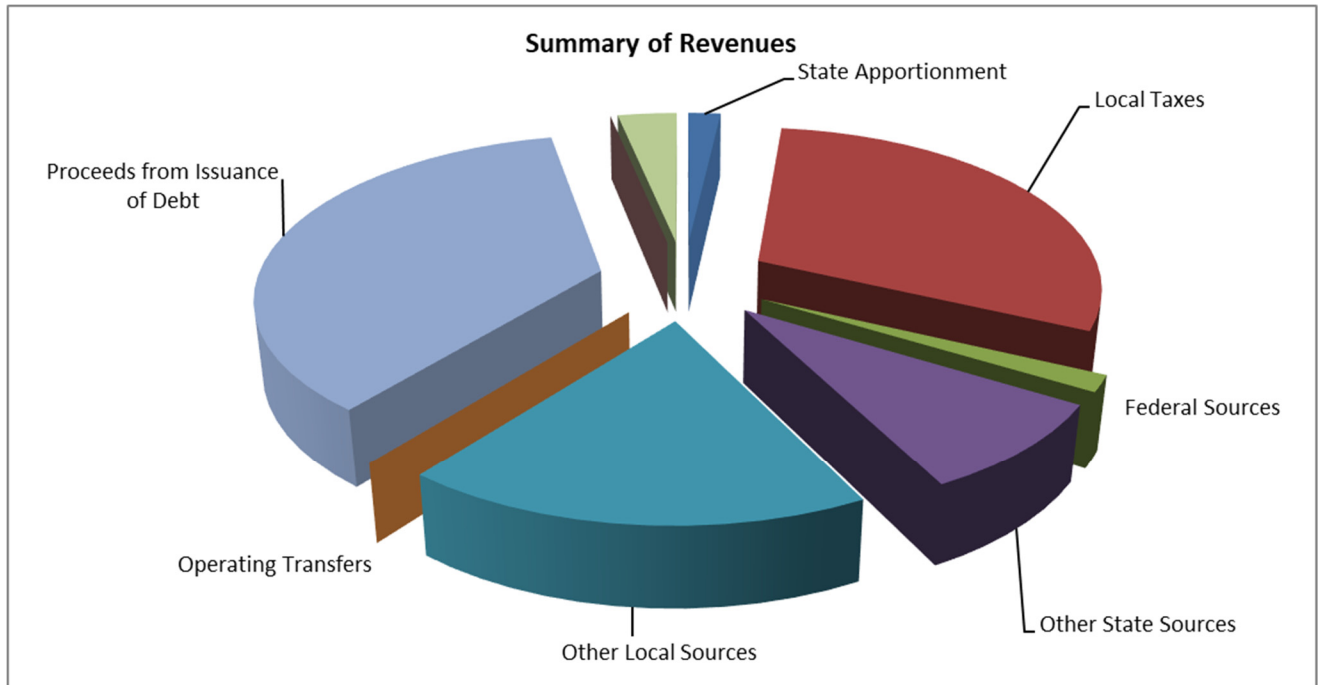
Comparative Schedule of Costs of Services		
	Total Cost of Services	Net Cost of Services
	2017 - 2018	2017 - 2018
Instruction	36,274,677	\$ 30,735,188
Instruction Related Services	8,683,502	7,893,976
Pupil Services	9,481,254	7,238,662
General Administration	4,013,314	3,847,970
Plant Services	12,855,138	8,451,517
Ancillary Services	1,006,058	986,656
Community Services	10,000	10,000
Other	-	-
Interest on Long-Term Liabilities	14,735,444	14,735,444
Other Outgo	398,870	349,661
Totals	<u>\$ 87,458,257</u>	<u>\$ 74,249,074</u>
Table includes financial data of the combined government funds		

In fiscal year 2017 - 2018, program revenues financed 15.1% of the cost of providing the services listed above, while the remaining 84.9% were financed by general revenues of the District. The percentages were 12.5% and 87.4%, respectively in 2016 - 2017.

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

Revenues for the District in 2017 - 2018 decreased by \$31,756,435 or 17.7% over 2016 - 2017 totals. This decrease is mainly attributed to the reduction in GO Bond Issuances in 2017 – 2018. In 2016 – 2017 the District issued \$84,000,000 in Measures E and U General Obligation Bonds while only 52.5 Million were issued in 2017 – 2018. The table below summarizes all revenue sources in 2017 - 2018.

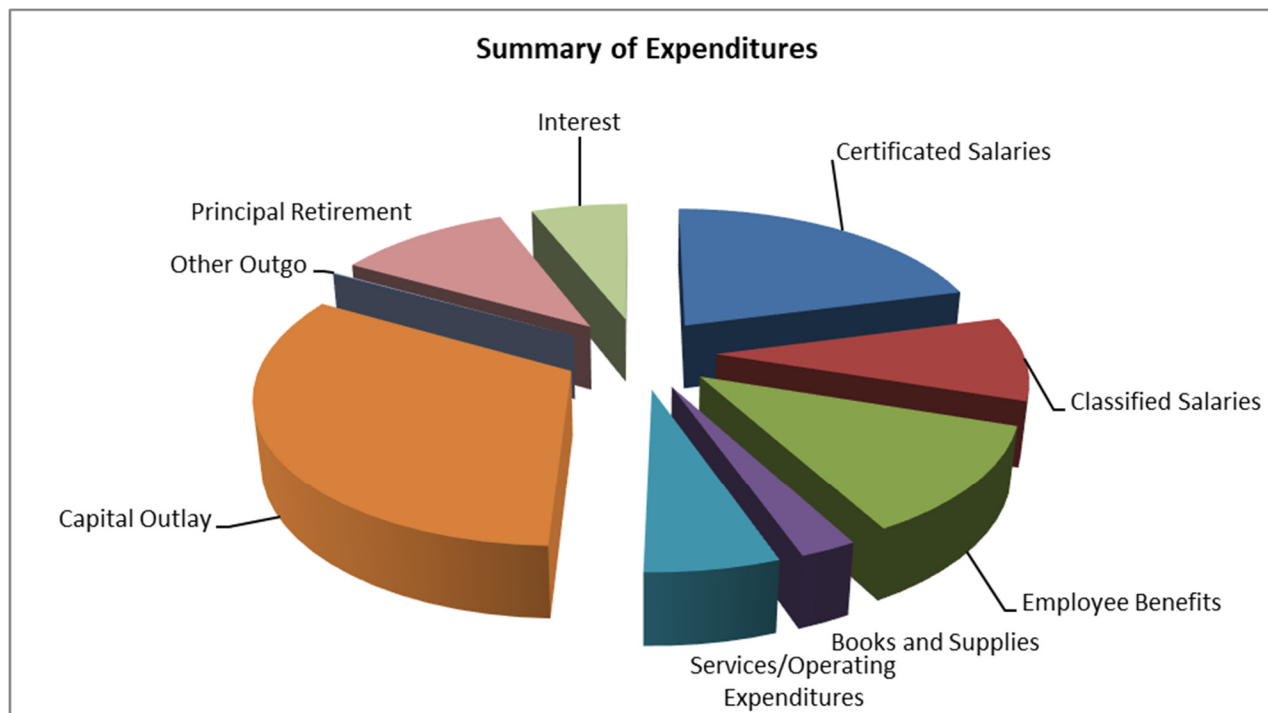
Summary of Revenues for Governmental Funds				
	FY 2018 Amount	Percent of Total	FY 2017 Amount	Percent of Total
Revenues				
LCFF Sources				
State Apportionment	\$ 2,641,732	1.8%	\$ 2,642,056	1.5%
Local Taxes	44,584,364	30.3%	41,849,657	23.4%
Total LCFF Sources	47,226,096	32.0%	44,491,713	24.8%
Federal Sources	2,380,932	1.6%	2,290,115	1.3%
Other State Sources	13,033,010	8.8%	11,333,032	6.3%
Other Local Sources	26,771,471	18.2%	37,012,893	20.7%
Total Other Revenue	42,185,413	28.6%	50,636,040	28.3%
Other Financing Sources				
Proceeds from Issuance of Debt	57,959,809	39.3%	84,000,000	46.9%
Total Other Financing Sources	57,959,809	39.3%	84,000,000	46.9%
Total Revenues	<u>\$ 147,371,318</u>	<u>100.0%</u>	<u>\$ 179,127,753</u>	<u>100.0%</u>



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

Total District expenditures in 2017 - 2018 increased by \$23,304,596 or 21.7% over 2016 - 2017 numbers. Most of this increase is attributable to increased staff costs, capital project expenditures, and the retirement of General Obligation Bond debt.

Summary of Expenditures for Governmental Funds				
	FY 2018 Amount	Percent of Total	FY 2017 Amount	Percent of Total
Expenditures				
Certificated Salaries	\$ 27,264,823	20.8%	\$ 26,184,471	24.4%
Classified Salaries	12,100,157	9.3%	12,057,159	11.2%
Employee Benefits	15,696,740	12.0%	14,364,212	13.4%
Books and Supplies	3,245,412	2.5%	3,826,665	3.6%
Services/Operating Expenditures	7,686,815	5.9%	7,365,169	6.9%
Capital Outlay	42,717,752	32.7%	25,904,303	24.1%
Other Outgo	145,870	0.1%	163,457	0.2%
Principal Retirement	14,122,015	10.8%	13,281,551	12.4%
Interest	7,829,327	4.7%	4,357,328	4.1%
Total Expenditures	\$ 130,808,911	100.0%	\$ 107,504,315	100.0%



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

Capital assets, net of depreciation increased \$37,366,834 due to new construction and modernization projects. Projects are financed through a combination of developer fees, federal grants, deferred maintenance funds, Measure E, Measure R and Measure U bond funds.

Capital Assets			
	2017 - 2018	2016 - 2017	% Change
Land	\$ 4,365,750	\$ 4,365,750	0.0%
Improvement of Sites	13,414,732	13,233,108	1.4%
Buildings	199,196,929	194,495,529	2.4%
Equipment	9,030,499	7,829,671	15.3%
Work in Process	<u>65,253,744</u>	<u>27,400,386</u>	138.1%
Subtotal	291,261,654	247,324,444	17.8%
Less: Accumulated Depreciation	<u>(81,780,584)</u>	<u>(75,210,208)</u>	8.7%
Capital Assets, net	<u>\$ 209,481,070</u>	<u>\$ 172,114,236</u>	21.7%

Long-term debt includes all of the district's long term liabilities. In the past this consisted of general obligation bonds, Certificates of participation, capital leases, other post-employment benefits, and compensated absences. With the implementation of GASB 68, the District has added STRS and Pers pension liabilities to this category. This resulted in a significant increase to long term-debt in comparison to years prior to 2015 - 2016. Overall, long-term debt increased by \$54,961,204 in 2017 - 2018. This is due to the issuance of \$52,500,000 in new General Obligation Bonds and increases in pension and OPEB liabilities. The net pension liabilities amount to \$64,869,000 or 20.5% of total long-term debt. The general obligation bonds are financed by the local taxpayers and represent 78% of the District's total long-term liabilities. The OPEB obligation liabilities amount to \$2,802,415 and represent .8% of the District's long-term liabilities. This amount has increased due the new requirement to recognize the District's full remaining OPEB liability under GASB 75. The capital lease obligations outstanding represent .5% of the District's long-term liabilities. The remaining components account for 0.2% of the District's long-term liabilities.

Long-term Debt			
	2017 - 2018	2016 - 2017	% Change
Compensated Absences	\$ 244,001	\$ 266,829	-8.6%
General Obligation Bonds	246,441,145	200,507,009	22.9%
Certificates of Participation	-	760,000	-100.0%
Capitalized Lease Obligations	1,657,723	1,565,397	5.9%
Net Pension Liability	64,869,000	57,096,000	13.6%
Total OPEB Obligation	2,802,415	857,845	226.7%
Totals	<u>\$ 316,014,284</u>	<u>\$ 261,053,080</u>	21.1%

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts and future debt retirement dates.

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

The combined fund balances of all the District's governmental funds increased by \$21,174,770. Most of this increase was a result of the increase to the Building Fund from new bond proceeds and the increase to the Bond Interest and Redemption Fund.

Comparative Schedules of Fund Balances			
	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Increase/ Decrease
General	\$ 13,198,078	\$ 12,652,019	\$ 546,059
Building Fund	103,419,274	87,990,169	15,429,105
Bond Interest and Redemption	36,921,480	35,683,020	1,238,460
All Non-Major Funds	3,166,143	3,817,360	(651,217)
Totals	<u>\$ 156,704,975</u>	<u>\$ 140,142,568</u>	<u>\$ 16,562,407</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The Original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget, if needed. In addition, the District revises its budget at First and Second interim. The Budget to actual presented on page _ reflects the original budget, final budget and the actual revenue and expenditures for the year.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has maintained its basic aid status during fiscal year 2017 - 2018. The property tax revenue collections continue to exceed the LCFF transition grants funded by the State. However, there is some uncertainty surrounding the pace of TTUSD property tax revenue increases in the future. Although, TTUSD will receive an estimated 6.6% increase in property taxes in 2018 - 2019, the District will maintain conservative assumptions in future years.

TTUSD is subject to many financial risks and situations including, but not limited to: fluctuating property tax revenue, repeal of basic aid status, parcel tax revenue, charter schools, depletion of one-time revenues, enrollment increases, declining developer fee revenue and PERS/STRS rate adjustments.

In recognition of these substantial financial risks, the TTUSD School Board revised Board Policy #3100, furthering its commitment to maintain reserves that exceed the state required minimum of 3%. Board Policy #3100 establishes a static reserve for economic uncertainty range of 10-16% of total general fund expenditures.

CONTACT THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with general overview of the District's finances and to show the District's accountability for the money it received. If you have questions regarding this report or need additional financial information, contact Todd Rivera, Executive Director of Business Services, Tahoe-Truckee Unified School District, 11603 Donner Pass Road, Truckee, California 96161.

BASIC FINANCIAL STATEMENTS

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$ 162,898,938
Receivables	3,168,400
Stores inventory	113,868
Prepaid expenses	11,038
Non-depreciable capital assets (Note 4)	69,619,494
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>139,861,576</u>
Total assets	<u>375,673,314</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources - pensions (Notes 7 and 8)	19,574,401
Deferred outflow of resources - OPEB (Note 9)	346,308
Deferred loss on refunding of debt	<u>529,719</u>
Total deferred outflows	<u>20,450,428</u>
LIABILITIES	
Accounts payable	12,799,854
Unearned revenue	397,538
Long-term liabilities (Notes 5, 7, 8 and 9):	
Due within one year	18,902,492
Due after one year	<u>297,111,792</u>
Total liabilities	<u>329,211,676</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>3,614,000</u>
NET POSITION	
Net investment in capital assets	87,863,927
Restricted:	
Legally restricted programs	2,109,464
Capital projects	2,987,723
Debt service	36,921,480
Unrestricted	<u>(66,584,528)</u>
Total net position	<u>\$ 63,298,066</u>

The accompanying notes are an integral part of these financial statements.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 36,274,677	\$ 142,384	\$ 5,397,105	\$ -	\$ (30,735,188)
Instruction-related services:					
Supervision of instruction	1,964,657	-	391,214	-	(1,573,443)
Instructional library, media and technology	1,714,309	-	67,498	-	(1,646,811)
School site administration	5,004,536	14,251	316,563	-	(4,673,722)
Pupil services:					
Home-to-school transportation	3,500,007	-	-	-	(3,500,007)
Food services	1,903,159	251,788	960,706	-	(690,665)
All other pupil services	4,078,088	34,687	995,411	-	(3,047,990)
General administration:					
Data processing	503,994	-	-	-	(503,994)
All other general administration	3,509,320	11,104	154,240	-	(3,343,976)
Plant services	12,855,138	101,818	4,301,803	-	(8,451,517)
Ancillary services	1,006,058	-	19,402	-	(986,656)
Community services	10,000	-	-	-	(10,000)
Interest on long-term liabilities	14,735,444	-	-	-	(14,735,444)
Other outgo	398,870	1,420	47,789	-	(349,661)
Total governmental activities	<u>\$ 87,458,257</u>	<u>\$ 557,452</u>	<u>\$ 12,651,731</u>	<u>\$ -</u>	<u>(74,249,074)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					46,348,403
Taxes levied for debt service					16,749,289
Taxes levied for other specific purposes					5,545,306
Federal and state aid not restricted to specific purposes					2,595,721
Interest and investment earnings					749,582
Interagency revenues					115,627
Miscellaneous					<u>9,186,765</u>
Total general revenues					<u>81,290,693</u>
Change in net position					7,041,619
Net position, July 1, 2017, as previously stated					<u>58,456,707</u>
Restatement					<u>(2,200,260)</u>
Net position, July 1, 2017, as restated					<u>56,256,447</u>
Net position, June 30, 2018					<u>\$ 63,298,066</u>

The accompanying notes are an integral part of these financial statements.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Building Fund	Bond Interest & Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 11,824,650	\$111,101,207	\$ 36,921,480	\$ 2,578,512	\$162,425,849
Cash in revolving fund	20,000	-	-	-	20,000
Cash in bank	2,000	-	-	1,000	3,000
Collections waiting deposit	59,398	-	-	390,691	450,089
Receivables	2,477,562	166,806	-	524,032	3,168,400
Stores inventory	58,500	-	-	55,368	113,868
Due from other funds	494,339	-	-	176,715	671,054
Prepaid expenditures	<u>7,013</u>	<u>-</u>	<u>-</u>	<u>4,025</u>	<u>11,038</u>
Total assets	<u>\$ 14,943,462</u>	<u>\$111,268,013</u>	<u>\$ 36,921,480</u>	<u>\$ 3,730,343</u>	<u>\$166,863,298</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,171,131	\$ 7,848,739	\$ -	\$ 69,861	\$ 9,089,731
Unearned revenue	397,538	-	-	-	397,538
Due to other funds	<u>176,715</u>	<u>-</u>	<u>-</u>	<u>494,339</u>	<u>671,054</u>
Total liabilities	<u>1,745,384</u>	<u>7,848,739</u>	<u>-</u>	<u>564,200</u>	<u>10,158,323</u>
Fund balances:					
Nonspendable	85,513	-	-	59,393	144,906
Restricted	1,931,044	103,419,274	36,921,480	3,106,750	145,378,548
Assigned	2,759,657	-	-	-	2,759,657
Unassigned	<u>8,421,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,421,864</u>
Total fund balances	<u>13,198,078</u>	<u>103,419,274</u>	<u>36,921,480</u>	<u>3,166,143</u>	<u>156,704,975</u>
Total liabilities and fund balances	<u>\$ 14,943,462</u>	<u>\$111,268,013</u>	<u>\$ 36,921,480</u>	<u>\$ 3,730,343</u>	<u>\$166,863,298</u>

The accompanying notes are an integral part of these financial statements.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances - Governmental Funds \$ 156,704,975

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$291,261,654 and the accumulated depreciation is \$81,780,584 (Note 4). 209,481,070

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2018 consisted of (Note 5):

Capitalized lease obligations	\$ (1,657,723)	
General Obligation Bonds	(226,387,732)	
Unamortized premiums	(20,053,413)	
Net pension liability (Note 7 and 8)	(64,869,000)	
Total OPEB Liability (Note 9)	(2,802,415)	
Compensated absences	<u>(244,001)</u>	
		(316,014,284)

In governmental funds, deferred inflows and deferred outflows of resources resulting from defeasance of debt are not recorded. In governmental activities, for advance refundings resulting in defeasance of debt reported in governmental activities, the difference between reacquisition price and the net carrying amount of the retired debt are reported as deferred inflows or deferred outflows of resources. 529,719

In government 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 (Notes 7 and 8).

Deferred outflows of resources relating to OPEB	\$ 346,308	
Deferred outflows of resources relating to pensions	19,574,401	
Deferred inflows of resources relating to pensions	<u>(3,614,000)</u>	
		16,306,709

In governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. (3,710,123)

Total net position - governmental activities \$ 63,298,066

The accompanying notes are an integral part of these financial statements.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Building Fund	Bond Interest & Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 2,641,732	\$ -	\$ -	\$ -	\$ 2,641,732
Local sources	<u>44,584,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,584,364</u>
Total LCFF	<u>47,226,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,226,096</u>
Federal sources	1,372,919	-	-	1,008,013	2,380,932
Other state sources	6,899,288	-	5,510,184	623,538	13,033,010
Other local sources	<u>10,289,583</u>	<u>1,733,688</u>	<u>11,715,085</u>	<u>3,033,115</u>	<u>26,771,471</u>
Total revenues	<u>65,787,886</u>	<u>1,733,688</u>	<u>17,225,269</u>	<u>4,664,666</u>	<u>89,411,509</u>
Expenditures:					
Current:					
Certificated salaries	27,223,016	-	-	41,807	27,264,823
Classified salaries	10,187,698	644,289	-	1,268,170	12,100,157
Employee benefits	14,972,170	206,609	-	517,961	15,696,740
Books and supplies	2,529,958	15,277	-	700,177	3,245,412
Contract services and operating expenditures	6,697,753	642,475	208,105	138,482	7,686,815
Other outgo	145,870	-	-	-	145,870
Capital outlay	2,895,968	37,295,933	-	2,525,851	42,717,752
Debt service:					
Principal retirement	522,015	-	12,815,000	785,000	14,122,015
Interest	<u>36,744</u>	<u>-</u>	<u>7,784,172</u>	<u>8,411</u>	<u>7,829,327</u>
Total expenditures	<u>65,211,192</u>	<u>38,804,583</u>	<u>20,807,277</u>	<u>5,985,859</u>	<u>130,808,911</u>
Excess (deficiency) of revenues over (under) expenditures	<u>576,694</u>	<u>(37,070,895)</u>	<u>(3,582,008)</u>	<u>(1,321,193)</u>	<u>(41,397,402)</u>
Other financing sources (uses):					
Transfers in	92,989	-	-	762,965	855,954
Transfers out	(762,965)	-	-	(92,989)	(855,954)
Premium on issuance of bonds	-	-	4,820,468	-	4,820,468
Proceeds from the issuance of debt	<u>639,341</u>	<u>52,500,000</u>	<u>-</u>	<u>-</u>	<u>53,139,341</u>
Total other financing sources (uses)	<u>(30,635)</u>	<u>52,500,000</u>	<u>4,820,468</u>	<u>669,976</u>	<u>57,959,809</u>
Net change in fund balances	546,059	15,429,105	1,238,460	(651,217)	16,562,407
Fund balances, July 1, 2017	<u>12,652,019</u>	<u>87,990,169</u>	<u>35,683,020</u>	<u>3,817,360</u>	<u>140,142,568</u>
Fund balances, June 30, 2018	<u>\$ 13,198,078</u>	<u>\$103,419,274</u>	<u>\$ 36,921,480</u>	<u>\$ 3,166,143</u>	<u>\$156,704,975</u>

The accompanying notes are an integral part of these financial statements.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Net change in fund balances - Total Governmental Funds	\$ 16,562,407
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	\$ 43,937,210
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(6,570,376)
In governmental funds, deferred outflows of resources from refunding of debt are not recognized. In the government-wide statements, deferred inflows and deferred outflows of resources are amortized over the life of the debt.	(75,675)
In governmental funds, debt issued at a premium is recognized as an other financing source. In government-wide statements, debt issued at a premium is amortized as interest over the life of the debt (Note 5).	(4,569,193)
Proceeds from debt are recognized as other financing sources in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 5).	(53,139,341)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	14,122,015
Accretion of interest increases long-term liabilities in the government-wide financial statements and is not recorded in the fund financial statements (Note 5).	(1,679,943)
In the governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred.	(581,305)
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 (Notes 7 and 8).	(1,589,006)
In the statement of activities, expenses related to total OPEB liability and compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 5 and 9).	<div style="display: flex; justify-content: space-between;"> <div style="border-top: 1px solid black; width: 100px; text-align: right;">624,826</div> <div style="border-top: 1px solid black; width: 100px; text-align: right;">(9,520,788)</div> </div>
Change in net position of governmental activities	\$ <u><u>7,041,619</u></u>

The accompanying notes are an integral part of these financial statements.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2018

	Foundation Trust <u>Fund</u>	Agency <u>Funds</u>
ASSETS		
Cash and investments (Note 2):		
Cash in County Treasury	\$ 33,245	\$ 1,878,004
Cash on hand and in banks	-	329,246
Receivables	<u>51</u>	<u>-</u>
Total assets	<u>33,296</u>	<u>\$ 2,207,250</u>
LIABILITIES		
Accounts payable	-	\$ 1,878,004
Due to student groups	<u>-</u>	<u>329,246</u>
Total Liabilities	<u>-</u>	<u>\$ 2,207,250</u>
NET POSITION		
Restricted for Foundation Trust	<u>\$ 33,296</u>	

The accompanying notes are an integral part of these financial statements.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
TRUST FUND
For the Year Ended June 30, 2018

	Foundation Trust <u>Fund</u>
Additions:	
Other local sources	\$ 535
Net position, July 1, 2017	<u>32,761</u>
Net position, June 30, 2018	<u><u>\$ 33,296</u></u>

The accompanying notes are an integral part of these financial statements.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tahoe Truckee Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California 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. The following is a summary of the more significant policies:

Reporting Entity: The Board of Trustees is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District has determined the following represent component units:

The District and the Tahoe-Truckee Unified School District Financing Corporation (the "Corporation") have a financial and operational relationship, which meets the reporting entity definition criteria of the *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Corporation as a blended component unit of the District.

The District and the Tahoe Truckee Unified School District Facilities Improvement Districts 1 and 2 (SFIDs) have a financial and operational relationship which meets the reporting entity definition criteria of *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the SFIDs as a blended component unit of the District.

The following are those aspects of the relationship between the District and the Corporation and the District and the SFIDs which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, as amended by criteria:

A - Accountability:

1. The Corporation and SFIDs' Board of Directors was appointed by the District's Board of Trustees.
2. The Corporation and the SFIDs have no employees. The District's Executive Director functions as the agent of the Corporation and SFIDs and do not receive additional compensation for work performed in this capacity.
3. The District's Board exercises significant influence over operations of the Corporation and SFIDs as the District is the sole lessee of all facilities owned by the Corporation and SFIDs.
4. All major financing arrangements, contracts, and other transactions of the Corporation and SFIDs must have the consent of the District.
5. Any deficits incurred by the Corporation and SFIDs will be reflected in the lease payments of the District. Any surpluses of the Corporation and SFIDs revert to the District at the end of the lease period.
6. The District's lease payments are the sole revenue source of the Corporation and SFIDs.
7. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation and SFIDs.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B - Scope of Public Service:

The Corporation and SFIDs were formed for the sole purpose of financially assisting the District. The Corporation and SFIDs were formed to provide financing assistance to the District for construction, rehabilitation and acquisition of major capital facilities to support the student population.

C - Financial Presentation:

For financial presentation purposes, the Corporation and SFIDs' financial activity has been blended with the financial data of the District. The basic financial statements present the Corporation and SFIDs' financial activity within the Building and Capital Facilities Funds.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds in the fund financial statements.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole, including the blended component units. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities are considered indirect expenses and is reported separately on the Statement of Activities.

Basis of Presentation - 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 balances, revenues and expenditures. 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.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds:

General Fund: The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Building Fund: The Building Fund is a capital projects fund used to account for resources used for the acquisition of capital facilities by the District.

Bond Interest and Redemption Fund: The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

B - Other Funds:

Special Revenue Funds: The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This classification includes the Adult Education, Child Development, Cafeteria and Deferred Maintenance Funds.

Capital Facilities Fund: The Capital Facilities Fund is a capital projects fund used to account for resources used for the acquisition of capital facilities by the District.

Foundation Trust Fund: The Foundation Trust Fund is a trust fund used to account for amounts held by the District as Trustee.

Agency Funds: The Student Body Fund is used to account for the various funds for which the District has an agency relationship with the activity of the fund. The Student Body Fund accounts for the receipt and disbursement of monies from the student activity organizations. The Warrant Pass-Through Fund represents a payroll clearing account with funds held at the Placer County Office of Education for the accrued payroll liability as of June 30, 2018.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual: Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees satisfied these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California for the Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2018.

Stores Inventory: Inventory is valued at latest invoice cost. Inventory recorded in the General and Cafeteria Funds consists mainly of consumable supplies. Inventory is recorded as an expenditure at the time individual inventory items are consumed or used in meal production.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 50 years, depending on asset types.

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/expenditures) until then. The District has recognized a deferred loss on refunding reported, which is in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. Also, the District has recognized a deferred outflow of resources relate to recognition of the pension liability and total OPEB liability reported in the Statement of Net Position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in aggregate.

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Non-depreciable:			
Deferred outflows of resources	\$ 13,074,663	\$ 6,499,738	\$ 19,574,401
Deferred inflows of resources	\$ 3,329,000	\$ 285,000	\$ 3,614,000
Net pension liability	\$ 44,518,000	\$ 20,351,000	\$ 64,869,000
Pension expense	\$ 5,929,851	\$ 3,758,277	\$ 9,688,128

Compensated Absences: Compensated absences in the amount of \$244,001 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave: Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure 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 for certain STRP and PERF B employees when the employee retires.

Unearned Revenues: Revenues from federal, state and local special projects and programs are recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. It is the District's policy to use restricted net position first when allowable expenditures are incurred.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove any commitment from any fund balance. At June 30, 2018, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances, however, as of June 30, 2018, no such designation has occurred.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At April 9th, 2014, the District established a minimum reserve for economic uncertainty policy of 10% to 16% of total General Fund expenditures. As of June 30, 2018, the District has a reserve of \$8,421,864 or 12.8%.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The Counties of Placer, Nevada and El Dorado bill and collect taxes for the District. Tax revenues are recognized by the District when received.

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.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on the implementation of Statement No. 75, the District's July 1, 2017 net position was restated decreasing net position by \$2,200,260 because of the recognition of the total OPEB liability.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2018 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 167,038,212	\$ 1,911,249
Deposits:		
Cash in revolving fund	20,000	-
Cash on hand and in banks	3,000	329,246
Collections awaiting deposit	<u>450,089</u>	<u>-</u>
Total cash	<u><u>\$ 167,511,301</u></u>	<u><u>\$ 2,240,495</u></u>

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing Placer County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in the financial statements at the amounts based upon the District's pro-rate share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2018, the carrying amount of the District's accounts was \$802,335 and the bank balance was \$470,844, of which \$47,714 was uninsured by the FDIC.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2018, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2018, the District had no concentration of credit risk.

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual interfund receivable and payable balances at 2017-2018 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 494,339	\$ 176,715
Non-Major Fund:		
Adult Education	-	189
Child Development	176,715	228,310
Cafeteria	-	265,840
	<u> </u>	<u> </u>
Totals	<u>\$ 671,054</u>	<u>\$ 671,054</u>

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

Transfers for the 2017-2018 fiscal year were as follows:

Transfer from the General Fund to the Child Development Fund to supplement program revenue.	\$ 171,838
Transfer from the General Fund to the Cafeteria Fund to supplement revenues.	591,127
Transfer from the Adult Education Fund to the General Fund for allocation of indirect costs.	5,074
Transfer from the Child Development Fund to the General Fund for allocation of indirect costs.	9,642
Transfer from the Cafeteria Fund to the General Fund for allocation of indirect costs.	<u>78,273</u>
	<u>\$ 855,954</u>

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2018 is shown below:

	Balance July 1, <u>2017</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2018</u>
Non-depreciable:				
Land	\$ 4,365,750	\$ -	\$ -	\$ 4,365,750
Work-in-process	27,400,386	42,050,734	4,197,376	65,253,744
Depreciable:				
Improvement of sites	13,233,108	181,624	-	13,414,732
Buildings	194,495,529	4,701,400	-	199,196,929
Equipment	<u>7,829,671</u>	<u>1,200,828</u>	<u>-</u>	<u>9,030,499</u>
Totals, at cost	<u>247,324,444</u>	<u>48,134,586</u>	<u>4,197,376</u>	<u>291,261,654</u>
Less accumulated depreciation:				
Improvement of sites	(2,815,188)	(775,184)	-	(3,590,372)
Buildings	(67,015,138)	(5,380,573)	-	(72,395,711)
Equipment	<u>(5,379,882)</u>	<u>(414,619)</u>	<u>-</u>	<u>(5,794,501)</u>
Total accumulated depreciation	<u>(75,210,208)</u>	<u>(6,570,376)</u>	<u>-</u>	<u>(81,780,584)</u>
Governmental activities capital assets, net	<u>\$172,114,236</u>	<u>\$ 41,564,210</u>	<u>\$ 4,197,376</u>	<u>\$209,481,070</u>

Depreciation expense was charged to governmental activities as follows:

Plant services	<u>\$ 6,570,376</u>
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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - LONG-TERM LIABILITIES

Capitalized Lease Obligations: The District leases certain equipment under a capital lease purchase agreement. The capitalized value for the equipment was \$3,841,277 with accumulated depreciation of \$2,603,751 as of June 30, 2018. Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payments
2019	\$ 583,759
2020	583,759
2021	364,486
2022	<u>204,442</u>
Total	1,736,446
Less amount representing interest	<u>(78,723)</u>
Net minimum lease payments	<u><u>\$ 1,657,723</u></u>

Current Interest Bonds

<u>Date of Issuance</u>	<u>Interest Rate Percent</u>	<u>Maturity Date</u>	<u>Amount of Original Issuance</u>	<u>Outstanding July 1, 2017</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2018</u>
2002	3.25 - 5.50	2021	\$ 21,155,000	\$ 10,620,000	\$ -	\$ 2,240,000	\$ 8,380,000
2002	3.25 - 5.50	2021	15,835,000	7,925,000	-	1,670,000	6,255,000
2005	6.00	2020	4,080,000	4,080,000	-	-	4,080,000
2010	2.0 - 4.00	2018	6,290,000	1,050,000	-	1,050,000	-
2012	2.0 - 5.00	2030	11,605,000	9,870,000	-	590,000	9,280,000
2013	2.0 - 5.00	2025	3,615,000	2,100,000	-	405,000	1,695,000
2013	2.0 - 5.00	2031	13,450,000	11,050,000	-	670,000	10,380,000
2014	3.0 - 4.00	2047	20,000,000	15,585,000	-	4,355,000	11,230,000
2014	1.5 - 4.00	2047	19,500,000	17,890,000	-	1,835,000	16,055,000
2017	5.0	2040	54,000,000	54,000,000	-	-	54,000,000
2017	5.0	2042	30,000,000	30,000,000	-	-	30,000,000
2018	1.0 - 5.0	2035	40,000,000	-	40,000,000	-	40,000,000
2018	3.0 - 5.0	2037	12,500,000	-	12,500,000	-	12,500,000
			<u>\$252,030,000</u>	<u>\$164,170,000</u>	<u>\$ 52,500,000</u>	<u>\$ 12,815,000</u>	<u>\$203,855,000</u>

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 13,815,000	\$ 8,656,256	\$ 22,471,256
2020	15,535,000	8,016,744	23,551,744
2021	12,300,000	7,393,144	19,693,144
2022	4,385,000	7,022,869	11,407,869
2023	4,825,000	6,834,856	11,659,856
2024-2028	31,265,000	30,380,169	61,645,169
2029-2033	44,635,000	21,899,819	66,534,819
2034-2038	43,500,000	12,384,925	55,884,925
2039-2043	26,880,000	3,528,994	30,408,994
2044-2047	<u>6,715,000</u>	<u>582,747</u>	<u>7,297,747</u>
	<u>\$ 203,855,000</u>	<u>\$ 106,700,523</u>	<u>\$ 310,555,523</u>

Capital Appreciation Bonds

<u>Date of Issuance</u>	<u>Interest Rate Percent</u>	<u>Maturity Date</u>	<u>Amount of Original Issuance</u>	<u>Outstanding July 1, 2017</u>	<u>Accreted Interest Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2018</u>
1999	8.50 - 8.56	2025	\$ 2,123,617	\$ 8,956,625	\$ 778,968	\$ -	\$ 9,735,593
1999	8.54 - 8.55	2025	1,573,994	6,673,749	582,638	-	7,256,387
2005	12.63	2025	821,340	1,773,618	113,130	-	1,886,748
2005	11.15	2025	<u>1,680,084</u>	<u>3,448,797</u>	<u>205,207</u>	<u>-</u>	<u>3,654,004</u>
			<u>\$ 6,199,035</u>	<u>\$ 20,852,789</u>	<u>\$ 1,679,943</u>	<u>\$ -</u>	<u>\$ 22,532,732</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 4,291,308	\$ 1,698,692	\$ 5,990,000
2023	4,265,161	2,024,839	6,290,000
2024-2025	<u>13,976,263</u>	<u>8,358,737</u>	<u>22,335,000</u>
	<u>\$ 22,532,732</u>	<u>\$ 12,082,268</u>	<u>\$ 34,615,000</u>

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	(As restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Amounts Due Within One Year
Capitalized lease obligations	\$ 1,565,397	\$ 639,341	\$ 547,015	\$ 1,657,723	\$ 544,909
General Obligation Bonds:					
Current interest	164,170,000	52,500,000	12,815,000	203,855,000	13,815,000
Capital appreciation	20,852,789	1,679,943	-	22,532,732	4,291,308
Unamortized premiums	15,484,220	4,820,468	251,275	20,053,413	251,275
Certificates of Participation	760,000	-	760,000	-	-
Net pension liability (Notes 7 and 8)	57,096,000	7,773,000	-	64,869,000	-
OPEB obligation (Note 9)	3,058,105	143,378	399,068	2,802,415	-
Compensated absences	<u>266,829</u>	<u>-</u>	<u>22,828</u>	<u>244,001</u>	<u>-</u>
	<u>\$ 263,253,340</u>	<u>\$ 67,556,130</u>	<u>\$ 14,795,186</u>	<u>\$ 316,014,284</u>	<u>\$ 18,902,492</u>

Payments on the capitalized lease obligations are made from the General, and Capital Facilities Funds. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Capital Facilities Fund. Payments on the OPEB obligations are made from the general fund and compensated absences are made from the fund for which the related employee worked.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - FUND BALANCE

Fund balances, by category, at June 30, 2018 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Stores inventory	58,500	-	-	55,368	113,868
Prepaid expenditures	<u>7,013</u>	<u>-</u>	<u>-</u>	<u>4,025</u>	<u>11,038</u>
Subtotal nonspendable	<u>85,513</u>	<u>-</u>	<u>-</u>	<u>59,393</u>	<u>144,906</u>
Restricted:					
Legally restricted programs	1,931,044	-	-	123,052	2,054,096
Capital projects	-	103,419,274	-	2,983,698	106,402,972
Debt service	<u>-</u>	<u>-</u>	<u>36,921,480</u>	<u>-</u>	<u>36,921,480</u>
Subtotal restricted	<u>1,931,044</u>	<u>103,419,274</u>	<u>36,921,480</u>	<u>3,106,750</u>	<u>145,378,548</u>
Assigned:					
Instructional materials	<u>2,759,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,759,657</u>
Unassigned:					
Designated for economic uncertainty	<u>8,421,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,421,864</u>
Total fund balances	<u>\$ 13,198,078</u>	<u>\$103,419,274</u>	<u>\$ 36,921,480</u>	<u>\$ 3,166,143</u>	<u>\$156,704,975</u>

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

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

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

CalSTRS 2% at 60

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

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 62

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

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

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.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2017-18. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2017-18.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

Employers – 14.43 percent of applicable member earnings.

Pursuant to AB 1469, employer contributions will increase from prior rate of 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2017-18 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

*The Teachers' Retirement Board (the "board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The District contributed \$3,770,663 to the plan for the fiscal year ended June 30, 2018.

State - 9.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-18 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 5.311 percent on July 1, 2018, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding (1)</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 01, 2019 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(4)	2.50%	4.517%(3)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) In May 2018 the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.

(3) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

District's proportionate share of the net pension liability	\$ 44,518,000
State's proportionate share of the net pension liability associated with the District	<u>26,337,000</u>
Total	<u><u>\$ 70,855,000</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2017, the District's proportion was 0.048 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$5,929,851 and revenue of \$2,617,722 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 165,000	\$ 776,000
Changes of assumptions	8,247,000	-
Net differences between projected and actual earnings on investments	-	1,186,000
Changes in proportion and differences between District contributions and proportionate share of contributions	892,000	1,367,000
Contributions made subsequent to measurement date	<u>3,770,663</u>	<u>-</u>
Total	<u><u>\$ 13,074,663</u></u>	<u><u>\$ 3,329,000</u></u>

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

\$3,770,663 reported as deferred outflows of resources related to pensions resulting from 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 pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2019	\$ 219,100
2020	\$ 1,951,100
2021	\$ 1,312,100
2022	\$ 151,100
2023	\$ 1,072,100
2024	\$ 1,269,500

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 Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. 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:

Valuation Date	June 30, 2016
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 Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

During the 2016-17 measurement period, 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 NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

<u>Assumption</u>	<u>Measurement Period</u>	
	<u>As of June 30,</u> <u>2017</u>	<u>As of June 30,</u> <u>2016</u>
Consumer price inflation	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

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 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. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

* 20-year geometric average

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 that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	<u>\$ 65,366,000</u>	<u>\$ 44,518,000</u>	<u>\$ 27,598,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov>.

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf>

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans 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 respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when districts first join the PERF B, are credited with a market value adjustment in determining contribution rates.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2018 were as follows:

Members - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2017-18.

Employers - The employer contribution rate was 15.531 percent of applicable member earnings.

The District contributed \$1,710,738 to the plan for the fiscal year ended June 30, 2018.

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 \$20,351,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2017, the District's proportion was 0.085 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$3,758,277. 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
Difference between expected and actual experience	\$ 729,000	\$ -
Changes of assumptions	2,973,000	240,000
Net differences between projected and actual earnings on investments	704,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	383,000	45,000
Contributions made subsequent to measurement date	<u>1,710,738</u>	<u>-</u>
Total	<u>\$ 6,499,738</u>	<u>\$ 285,000</u>

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

\$1,710,738 reported as deferred outflows of resources related to pensions resulting from 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 pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2019	\$ 1,295,583
2020	\$ 2,184,583
2021	\$ 1,409,084
2022	\$ (385,250)

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 4 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 Methods and Assumptions: The total pension liability for the Plan 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:

Valuation Date	June 30, 2016
Experience Study	June 30, 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 mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

During the 2016-17 measurement period, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent.

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.

<u>Asset Class</u>	<u>Long -Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years of 1 - 10 (1)</u>	<u>Expected Real Rate of Return Years of 11+ (2)</u>
Global Equity	47%	4.90%	5.38%
Fixed Income	19	0.80	2.27
Inflation of Assets	6	0.60	1.39
Private Equity	12	6.60	6.63
Real Estate	11	2.80	5.21
Infrastructure & Forestland	3	3.90	5.36
Liquidity	2	(0.40)	(0.90)

* 10-year geometric average

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

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

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 Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the rounded equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District’s proportionate share of the net pension liability	<u>\$ 29,943,000</u>	<u>\$ 20,351,000</u>	<u>\$ 12,394,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 9 - OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description: In addition to the pension benefits described in Notes 7 and 8, the District provides post-employment health care benefits under a single employer defined benefit OPEB plan to eligible retirees through an implicit rate subsidy for all retirees who elect to purchase benefits at the District’s negotiated insurance premium rates. The plan does not issue separate financial statements.

The Tahoe Truckee Unified School District’s Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under one of the District’s retirement plan to continue medical, dental and vision coverage as a participant in the District’s plan. The District’s Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District’s Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2018 the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District’s Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2017 (measurement date):

	<u>Number of Participants</u>
Inactive Employees Receiving Benefits	23
Inactive Employees Entitled to But Not Receiving Benefits	-
Participating Active Employees	<u>34</u>
	<u>57</u>

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Benefits Provided are noted below:

	⁴ <u>Certificated</u>	² <u>Classified</u>	³ <u>Confidential</u>	³ <u>Management</u>
Benefit types provided	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision
Duration of Benefits	To age 65	To age 65	10 years but not beyond 65	To age 65
Required Service	20 years	20 years	10 years	5 years
Minimum Age	55	55	50	50/55 ¹
Dependent Coverage	Yes	Yes	Yes	Yes
District Contribution Percent	100%	75% at age 55; 80% at age 56; 90% at age 57; 100% at age 58 or older	100%	100%
District Cap	Active cap currently \$791.66 per month	\$808.33 per month ⁵	Active cap currently \$808.33 per month	Active cap currently \$808.33 per month

¹ Depending on retirement system.

² Only employees hired prior to September 1, 1988 are eligible.

³ Only employees hired prior to October 17, 2006 are eligible.

⁴ Only employees hired prior to June 30, 1988 are eligible.

⁵ Cap for current retirees. Cap is frozen at retirement.

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The District's premium rates being charged to these retirees are lower than the expected cost for a retiree population. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost.

Contributions to the Plan from the District were \$143,378 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

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

<u>Valuation Date</u>	June 30, 2017
<u>Fiscal Year End</u>	June 30
<u>Actuarial Value of Assets</u>	Market Value
<u>Mortality Rate</u>	PERS - Non-work related rated developed in 2014 California PERS experience study. STRS - Match rates developed in 2010 experience study.
<u>Discount Rate as of 6/30/2017</u>	3.5%. Based on the June 29, 2017 Bond Buyer 20-Bond Index, as published by the Federal Reserve.
<u>Assumed Investment Return</u>	Not applicable since the plan is unfunded.
<u>Retirement Rate</u>	Retirement rates match rates developed in the most recent experience studies for California PERS (2014) and California STRS (2010)
<u>Inflation Rate</u>	2.75% per year
<u>Dependent Coverage</u>	Female spouses are assumed to be three years younger than male spouses. 80% of retirees are assumed to be married. Current retirees are valued based on elected coverage.
<u>Health Claims</u>	Using the 2017 premium rates, we developed an age-adjusted average per capita cost for each plan reflecting enrollments for the current active and per-65 retiree population.
<u>Funding Method</u>	Entry Age Cost Method (Level Percentage of Pay).
<u>Health Trend Rate:</u>	4%

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Discount Rate: Given the District's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 3.50%. The municipal bond rate was based on the week closest but not later than the measurement date of the June 30, 2017 index as published by the Federal Reserve. The June 30, 2017 index consists of 11 general obligation bonds that mature in 20 years. The average rating of the 11 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Changes in Total OPEB Liability:

	Total OPEB Liability
Balance at June 30, 2017	\$ 3,058,105
Changes for the year:	
Service cost	42,603
Interest	100,775
Changes of benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions	-
Benefit payments	(399,068)
Administrative expenses	-
Net change	(255,690)
Balance, June 30, 2018	\$ 2,802,415

There were no changes between the measurement date and the year ended June 30, 2018 which had a significant effect on the District's total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 2,917,068	\$ 2,802,415	\$ 2,694,509

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.00 %)	Healthcare Cost Trend Rates Rate (4.00%)	1% Increase (5.00%)
Total OPEB Liability	\$ 2,706,541	\$ 2,802,415	\$ 2,892,387

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$143,378. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>346,308</u>	<u>-</u>
Total	<u>\$ 346,308</u>	<u>\$ -</u>

\$346,308 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - JOINT POWERS AGREEMENTS

The District is a member of two Joint Powers Authorities (JPAs), Schools Insurance Group (SIG) for the common risk management and insurance related to workers' compensation and property/liability and Tri-County Schools Insurance Group (TRISIG) for common risk management and insurance related to healthcare. The membership includes other school districts in Placer, Nevada and Sutter Counties. The JPA's provide first dollar coverage and insure risk up to statutory limits. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

The following is a summary of financial information of SIG as of June 30, 2017 and TRISIG as of June 30, 2017 (the most recent information available):

	<u>SIG</u>	<u>TRISIG</u>
Total assets	\$ 96,388,316	\$ 18,722,833
Deferred outflows	\$ 265,300	\$ 183,953
Total liabilities	\$ 33,613,907	\$ 9,365,157
Deferred inflows	\$ 41,239	\$ 19,160
Total net position	\$ 62,998,470	\$ 9,522,469
Total revenues	\$ 91,193,928	\$ 43,039,245
Total expenses	\$ 85,707,759	\$ 39,467,946
Change in net position	\$ 5,486,169	\$ 3,571,299

The relationship between Tahoe Truckee Unified School District and each Joint Powers Authority is such that the Joint Powers Authorities are not component units of the District for financial reporting purposes.

NOTE 11 - CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not be material.

At June 30, 2018, the District had approximately \$66,618,753 in outstanding construction contract commitments.

REQUIRED SUPPLEMENTARY INFORMATION

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2018

	<u>Budget</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Local Control Funding Formula:				
State apportionment	\$ 2,654,662	\$ 2,641,732	\$ 2,641,732	\$ -
Local sources	<u>43,412,627</u>	<u>44,584,364</u>	<u>44,584,364</u>	<u>-</u>
Total LCFF	<u>46,067,289</u>	<u>47,226,096</u>	<u>47,226,096</u>	<u>-</u>
Federal sources	1,435,870	1,372,919	1,372,919	-
Other state sources	6,635,632	6,899,288	6,899,288	-
Other local sources	<u>8,793,416</u>	<u>10,289,583</u>	<u>10,289,583</u>	<u>-</u>
Total revenues	<u>62,932,207</u>	<u>65,787,886</u>	<u>65,787,886</u>	<u>-</u>
Expenditures:				
Current:				
Certificated salaries	26,845,940	27,223,016	27,223,016	-
Classified salaries	10,274,821	10,187,698	10,187,698	-
Employee benefits	15,298,351	14,972,170	14,972,170	-
Books and supplies	2,563,584	2,529,958	2,529,958	-
Contract services and operating expenditures	5,943,858	6,697,753	6,697,753	-
Other outgo	60,296	145,870	145,870	-
Capital outlay	2,662,460	2,895,968	2,895,968	-
Debt service:				
Principal retirement	42,764	522,015	522,015	-
Interest	<u>296,324</u>	<u>36,744</u>	<u>36,744</u>	<u>-</u>
Total expenditures	<u>63,988,398</u>	<u>65,211,192</u>	<u>65,211,192</u>	<u>-</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,056,191)</u>	<u>576,694</u>	<u>576,694</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	92,989	92,989	92,989	-
Transfers out	(846,775)	(762,965)	(762,965)	-
Proceeds from the issuance of debt	<u>639,341</u>	<u>639,341</u>	<u>639,341</u>	<u>-</u>
Total other financing sources (uses)	<u>(114,445)</u>	<u>(30,635)</u>	<u>(30,635)</u>	<u>-</u>
Net change in fund balance	(1,170,636)	546,059	546,059	-
Fund balance, July 1, 2017	<u>12,652,019</u>	<u>12,652,019</u>	<u>12,652,019</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 11,481,383</u>	<u>\$ 13,198,078</u>	<u>\$ 13,198,078</u>	<u>\$ -</u>

See accompanying note to required supplementary information.

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2018

Last 10 Fiscal Years	
	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 42,603
Interest	100,775
Change in assumptions	-
Benefit Payments	<u>(399,068)</u>
Net change in total OPEB liability	(255,690)
Total OPEB liability - beginning of year	<u>3,058,105</u>
Total OPEB liability - end of year	<u>\$ 2,802,415</u>
Covered employee payroll	\$ 2,623,098
Total OPEB liability as a percentage of covered-employee payroll	107%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior. All years prior to 2018 are not available.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2018

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.049%	0.050%	0.050%	0.048%
District's proportionate share of the net pension liability	\$ 28,668,000	\$ 33,980,000	\$ 40,081,000	\$ 44,518,000
State's proportionate share of the net pension liability associated with the District	<u>17,311,000</u>	<u>17,971,000</u>	<u>22,820,000</u>	<u>26,337,000</u>
Total net pension liability	<u>\$ 45,979,000</u>	<u>\$ 51,951,000</u>	<u>\$ 62,901,000</u>	<u>\$ 70,855,000</u>
District's covered payroll	\$ 21,851,000	\$ 23,426,000	\$ 24,699,000	\$ 25,613,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	173.81%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.084%	0.084%	0.086%	0.085%
District's proportionate share of the net pension liability	\$ 9,525,000	\$ 12,374,000	\$ 17,015,000	\$ 20,351,000
District's covered payroll	\$ 8,808,000	\$ 9,293,000	\$ 10,335,000	\$ 10,975,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.15%	164.63%	185.43%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2018

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 2,080,255	\$ 2,650,024	\$ 3,222,130	\$ 3,770,663
Contributions in relation to the contractually required contribution	<u>(2,080,255)</u>	<u>(2,650,024)</u>	<u>(3,222,130)</u>	<u>(3,770,663)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 23,426,000	\$ 24,699,000	\$ 25,613,000	\$ 26,131,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 1,093,936	\$ 1,224,444	\$ 1,524,277	\$ 1,710,738
Contributions in relation to the contractually required contribution	<u>(1,093,936)</u>	<u>(1,224,444)</u>	<u>(1,524,277)</u>	<u>(1,710,738)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,293,000	\$ 10,335,000	\$ 10,975,000	\$ 12,316,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
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 are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Changes in Total Other Postemployment Benefits (OPEB) liability

The Schedule of Changes in Total OPEB liability is presented to illustrate the elements of the District's Total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

C - Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, 7.65 and 7.15 percent in the June 30, 2013, 2014, 2015, and 2016 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

<u>Assumptions</u>	<u>Measurement Period</u>		
	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.60%	7.60%
Wage growth	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Total
ASSETS						
Cash in County Treasury	\$ 27,639	\$ -	\$ -	\$ 17,590	\$ 2,533,283	\$ 2,578,512
Cash in bank	-	-	500	-	500	1,000
Collections awaiting deposit	12,083	14,032	1,994	-	362,582	390,691
Receivables	53,958	60,359	276,824	-	132,891	524,032
Stores inventory	-	-	55,368	-	-	55,368
Due from other funds	-	176,715	-	-	-	176,715
Prepaid expenditures	-	-	-	-	4,025	4,025
Total assets	<u>\$ 93,680</u>	<u>\$ 251,106</u>	<u>\$ 334,686</u>	<u>\$ 17,590</u>	<u>\$ 3,033,281</u>	<u>\$ 3,730,343</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 8,233	\$ 2,315	\$ 13,478	\$ 277	\$ 45,558	\$ 69,861
Due to other funds	189	228,310	265,840	-	-	494,339
Total liabilities	<u>8,422</u>	<u>230,625</u>	<u>279,318</u>	<u>277</u>	<u>45,558</u>	<u>564,200</u>
Fund balances:						
Nonspendable	-	-	55,368	-	4,025	59,393
Restricted	85,258	20,481	-	17,313	2,983,698	3,106,750
Total fund balances	<u>85,258</u>	<u>20,481</u>	<u>55,368</u>	<u>17,313</u>	<u>2,987,723</u>	<u>3,166,143</u>
Total liabilities and fund balances	<u>\$ 93,680</u>	<u>\$ 251,106</u>	<u>\$ 334,686</u>	<u>\$ 17,590</u>	<u>\$ 3,033,281</u>	<u>\$ 3,730,343</u>

TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Total
Revenues:						
Federal sources	\$ 83,363	\$ -	\$ 924,650	\$ -	\$ -	\$ 1,008,013
Other state sources	157,000	207,231	59,307	200,000	-	623,538
Other local sources	<u>929</u>	<u>158,751</u>	<u>281,999</u>	<u>1</u>	<u>2,591,435</u>	<u>3,033,115</u>
Total revenues	<u>241,292</u>	<u>365,982</u>	<u>1,265,956</u>	<u>200,001</u>	<u>2,591,435</u>	<u>4,664,666</u>
Expenditures:						
Current:						
Certified salaries	41,807	-	-	-	-	41,807
Classified salaries	85,146	365,671	746,977	-	70,376	1,268,170
Employee benefits	31,855	157,094	304,414	-	24,598	517,961
Books and supplies	5,431	10,725	683,732	-	289	700,177
Contract services and operating expenditures	23,955	2,231	39,909	17,156	55,231	138,482
Capital outlay	-	-	-	166,327	2,359,524	2,525,851
Debt service:						
Principal retirement	-	-	-	-	785,000	785,000
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,411</u>	<u>8,411</u>
Total expenditures	<u>188,194</u>	<u>535,721</u>	<u>1,775,032</u>	<u>183,483</u>	<u>3,303,429</u>	<u>5,985,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>53,098</u>	<u>(169,739)</u>	<u>(509,076)</u>	<u>16,518</u>	<u>(711,994)</u>	<u>(1,321,193)</u>
Other financing sources (uses):						
Transfers in	-	171,838	591,127	-	-	762,965
Transfers out	<u>(5,074)</u>	<u>(9,642)</u>	<u>(78,273)</u>	<u>-</u>	<u>-</u>	<u>(92,989)</u>
Total other financing (uses) sources	<u>(5,074)</u>	<u>162,196</u>	<u>512,854</u>	<u>-</u>	<u>-</u>	<u>669,976</u>
Net change in fund balances	48,024	(7,543)	3,778	16,518	(711,994)	(651,217)
Fund balances, July 1, 2017	<u>37,234</u>	<u>28,024</u>	<u>51,590</u>	<u>795</u>	<u>3,699,717</u>	<u>3,817,360</u>
Fund balances, June 30, 2018	<u>\$ 85,258</u>	<u>\$ 20,481</u>	<u>\$ 55,368</u>	<u>\$ 17,313</u>	<u>\$ 2,987,723</u>	<u>\$ 3,166,143</u>

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Student Body Funds				
<u>Alder Creek Middle</u>				
Assets:				
Cash on hand and in banks	\$ 42,857	\$ 128,116	\$ 118,004	\$ 52,969
Liabilities:				
Due to student groups	\$ 42,857	\$ 128,116	\$ 118,004	\$ 52,969
<u>North Tahoe Intermediate</u>				
Assets:				
Cash on hand and in banks	\$ 25,876	\$ 25,046	\$ 28,352	\$ 22,570
Liabilities:				
Due to student groups	\$ 25,876	\$ 25,046	\$ 28,352	\$ 22,570
<u>North Tahoe High</u>				
Assets:				
Cash on hand and in banks	\$ 71,098	\$ 121,290	\$ 124,284	\$ 68,104
Liabilities:				
Due to student groups	\$ 71,098	\$ 121,290	\$ 124,284	\$ 68,104
<u>Tahoe Truckee High</u>				
Assets:				
Cash on hand and in banks	\$ 172,209	\$ 545,768	\$ 532,374	\$ 185,603
Liabilities:				
Due to student groups	\$ 172,209	\$ 545,768	\$ 532,374	\$ 185,603
<u>Total Student Body Funds</u>				
Assets:				
Cash on hand and in banks	\$ 312,040	\$ 820,220	\$ 803,014	\$ 329,246
Liabilities:				
Due to student groups	\$ 312,040	\$ 820,220	\$ 803,014	\$ 329,246

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2018

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2018</u>
Warrant Pass-Through				
Assets:				
Cash in County Treasury	\$ <u>1,748,633</u>	\$ <u>52,928,700</u>	\$ <u>52,799,329</u>	\$ <u>1,878,004</u>
Liabilities:				
Accounts Payable	\$ <u>1,748,633</u>	\$ <u>52,928,700</u>	\$ <u>52,799,329</u>	\$ <u>1,878,004</u>

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2018

Tahoe Truckee Unified School District was established in 1949 and is comprised of an area of approximately 700 square miles located in Placer, Nevada and El Dorado Counties. There were no changes in the boundaries of the District during the current year. The District is currently operating five elementary schools, two middle schools, two high schools, one continuation high school and an adult education program.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Kim Szczurek	President	December 2018
Gaylan Larson	Clerk	December 2018
Dianna Driller	Member	December 2018
Cris Hennessey	Member	December 2020
Kirsten Livak	Member	December 2020

ADMINISTRATION

Robert J. Leri, Ed.D.
Superintendent/Chief Learning Officer

Todd Rivera
Executive Director of Business Services

Corine Harvey
Executive Director of Student Services

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2018

	E4E16D53 Second Period <u>Report</u>	81EF2273 Annual <u>Report</u>
Elementary:		
Transitional Kindergarten through Third	1,106	1,112
Fourth through Sixth	884	883
Seventh and Eighth	<u>519</u>	<u>518</u>
	<u>2,509</u>	<u>2,513</u>
Secondary:		
Ninth through Twelfth	<u>1,100</u>	<u>1,087</u>
ADA Totals	<u><u>3,609</u></u>	<u><u>3,600</u></u>

See accompanying notes to supplementary information.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2018

	Statutory 1986-87 Minutes <u>Require-</u> <u>ment</u>	2017-2018 Actual <u>Minutes</u>	Number of Days Traditional <u>Calendar</u>	Status
DISTRICT				
Kindergarten	36,000	45,750	180	In Compliance
Grade 1	50,400	53,173	180	In Compliance
Grade 2	50,400	53,173	180	In Compliance
Grade 3	50,400	53,173	180	In Compliance
Grade 4	54,000	54,252	180	In Compliance
Grade 5	54,000	55,281	180	In Compliance
Grade 6	54,000	57,400	180	In Compliance
Grade 7	54,000	57,400	180	In Compliance
Grade 8	54,000	57,400	180	In Compliance
Grade 9	64,800	65,276	180	In Compliance
Grade 10	64,800	65,276	180	In Compliance
Grade 11	64,800	65,276	180	In Compliance
Grade 12	64,800	65,276	180	In Compliance

See accompanying notes to supplementary information.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2018

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Education - Basic Local Assistance Entitlement, Part B, Sec 611	13379	\$ 416,394
84.027A	Special Ed IDEA: Preschool Local Entitlement	13682	70,268
84.027	Special Ed IDEA: Mental Health Allocation Plan, Part B, Section 611		43,604
84.173	Special Ed IDEA: Preschool Grant, Part B, Section 619	13430	<u>15,351</u>
	Subtotal Special Education Cluster		<u>545,617</u>
	ESEA: Title III Programs:		
84.365	ESEA: Title III, Language Acquisition	14346	84,046
84.365	ESEA: Title III, Immigrant Education Program	15146	<u>7,537</u>
	Subtotal ESEA: Title III Programs		<u>91,583</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education & ELA (Section 231)	14508	19,692
84.002	Adult Education: Adult Secondary Education	13978	9,107
84.002	Adult Education: English Literacy and Civics Education	14750	<u>54,564</u>
	Subtotal Adult Education Programs		<u>83,363</u>
84.010	ESEA: Title I, Part A, Basic Grants Low Income and Neglected	14329	269,679
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	16,667
84.367	ESEA: Title II, Part A, Improving Teacher Quality	14341	63,737
84.126	Workability II, Transitions Partnership Program	10006	<u>57,183</u>
	Total U.S. Department of Education		<u>1,127,829</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
	Medi-Cal Cluster:		
93.778	Medi-Cal Administrative Activities	10060	43,390
93.778	Medi-Cal Billing Option	10013	<u>81,849</u>
	Total U.S. Department of Health and Human Services		<u>125,239</u>

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2018

U.S. Department of Homeland Security - Passed through California Department
of Education

97.039	Hazard Mitigation Grant	10041	\$ <u>18,361</u>
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U.S. Department of Agriculture - Passed through California Department
of Education

10.555	National School Lunch Program	13390	924,650
10.665	Forest Reserve	10044	<u>169,065</u>

Total U.S. Department of Agriculture			<u>1,093,715</u>
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Total Federal Programs			<u>\$ 2,365,144</u>
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See accompanying notes to supplementary information.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

There were no audit adjustments proposed to any funds of the District.

See accompanying notes to supplementary information.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2018
(UNAUDITED)

	(Budgeted) <u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 64,443,360	\$ 66,520,216	\$ 60,479,938	\$ 59,231,202
Expenditures	65,385,352	65,211,192	60,728,570	57,640,268
Other uses and transfers out	<u>851,122</u>	<u>762,965</u>	<u>847,827</u>	<u>803,416</u>
Total outgo	<u>66,236,474</u>	<u>65,974,157</u>	<u>61,576,397</u>	<u>58,443,684</u>
Change in fund balance	<u>\$ (1,793,114)</u>	<u>\$ 546,059</u>	<u>\$ (1,096,459)</u>	<u>\$ 787,518</u>
Ending fund balance	<u>\$ 11,404,964</u>	<u>\$ 13,198,078</u>	<u>\$ 12,652,019</u>	<u>\$ 13,748,478</u>
Available reserves	<u>\$ 7,961,970</u>	<u>\$ 8,421,865</u>	<u>\$ 7,835,998</u>	<u>\$ 8,237,524</u>
Designated for economic uncertainties	<u>\$ 7,961,970</u>	<u>\$ 8,421,865</u>	<u>\$ 7,835,998</u>	<u>\$ 8,237,524</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as a percentage of total outgo	<u>12.0%</u>	<u>12.8%</u>	<u>12.7%</u>	<u>14.1%</u>
Total long-term liabilities	<u>\$ 297,111,792</u>	<u>\$ 316,014,284</u>	<u>\$ 261,053,080</u>	<u>\$ 166,725,804</u>
Average daily attendance at P-2, excluding classes for adults	<u>3.660</u>	<u>3.609</u>	<u>3.661</u>	<u>3.565</u>

The General Fund fund balance has decreased by \$237,118 over the past three years. The District has budgeted a decrease of \$1,793,114 for the fiscal year ending June 30, 2018. For a district this size, the State of California recommends available reserves of at least three percent of total General Fund expenditures, transfers out and other uses be maintained. The District met this requirement.

The District has an operating surplus in two of the past three years, and anticipates incurring an operating deficit during the 2018-2019 fiscal year.

Total long-term liabilities have increased by \$149,288,480 over the past two years due to the issuance of General Obligation Bonds and the implementation of GASB 75.

Average daily attendance has increased by 44 over the past two years. The District anticipates an increase of 51 ADA for the fiscal year 2018-2019.

See accompanying notes to supplementary information.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2018

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
1180 - Sierra Expeditionary Learning	Separate report

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 1 - PURPOSE OF 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

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Tahoe Truckee Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following, as applicable, either the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2018.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 2,380,932
Less: Medi-Cal Administrative Activities funds not spent	93.778	<u>(15,788)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 2,365,144</u>

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

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis (Unaudited)

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2018-2019 fiscal year.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14503 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2018, the District did not adopt this program.

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

Board of Trustees
Tahoe Truckee Unified School District
Truckee, California

Report on Compliance with State Laws and Regulations

We have audited Tahoe Truckee Unified School District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2018.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	Yes
General requirements	Yes
After school	Yes
Before school	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Attendance, for charter schools	No, see below
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

(Continued)

The District's reported ADA for Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing of Independent Study ADA.

The District's reported ADA for Continuation Education was below the materiality level that requires testing; therefore, we did not perform any testing of Continuation Education ADA.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform steps 2a through d.

The District does not offer an Apprenticeship: Related and Supplemental Instruction program; therefore, we did not perform any procedures related to this program.

The District does not have any Juvenile Court Schools, therefore, we did not perform any procedures related to Juvenile Court Schools.

The District did not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District did not report any ADA for Independent Study - Course Based; therefore, we did not perform any procedures related to the Independent Study - Course Based program.

The District does not operate any Charter Schools; therefore, we did not perform any of the testing required by Article 4 of the Audit Guide.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on Tahoe Truckee Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Tahoe Truckee Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Tahoe Truckee Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Tahoe Truckee Unified School District's compliance.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding 2018-001 in the accompanying Schedule of Audit Findings and Questioned Costs, Tahoe Truckee Unified School District did not comply with requirements regarding Attendance Reporting. Compliance with such requirements is necessary, in our opinion, for Tahoe Truckee Unified School District to comply with the requirements applicable to the state laws and regulations applicable to Attendance Reporting.

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Tahoe Truckee Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2018.

Other Matter

Tahoe Truckee Unified School District's response to the noncompliance finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. Tahoe Truckee Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of this Report

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

Crowe LLP

Crowe LLP

Sacramento, California
December 10, 2018

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
Tahoe Truckee Unified School District
Truckee, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tahoe Truckee Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Tahoe Truckee Unified School District's basic financial statements, and have issued our report thereon dated December 10, 2018

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 our audit we did not identify any deficiencies in internal control that we 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 Tahoe Truckee Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting 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.

The logo for Crowe LLP, featuring the word "CROWE" in a bold, sans-serif font, followed by "LLP" in a smaller, similar font.

Crowe LLP

Sacramento, California
December 10, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
Tahoe Truckee Unified School District
Truckee, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Tahoe Truckee Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Tahoe Truckee Unified 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 its major federal program for the year ended June 30, 2018.

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe LLP

Crowe LLP

Sacramento, California
December 10, 2018

FINDINGS AND RECOMMENDATIONS

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
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?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	<u> X </u> None reported

Noncompliance material to financial statements noted?

	_____ Yes	<u> X </u> No
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FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	<u> X </u> None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

	_____ Yes	<u> X </u> No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee?

<u> X </u> Yes	_____ No
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STATE AWARDS

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

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2018-001 STATE COMPLIANCE - ATTENDANCE REPORTING (10000)

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Section 401 and 421 (b) and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

Condition

At Truckee High School, two students were improperly claimed for apportionment, resulting in an overstatement of three days of attendance.

Effect

The effect of this finding is an overstatement of 0.02 ADA.

Cause

The errors were the result of clerical errors in accounting for attendance.

Fiscal Impact

The error is below 0.50 ADA, therefore there is no fiscal impact.

Recommendation

The District should enforce controls to ensure accurate accounting for attendance.

Views of Responsible Officials and Corrective Action Plan

The District will continue to provide staff training with school site personnel. No corrections were necessary for the P-2 or Annual reports.

STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
No matters were reported.		