RED BLUFF UNION
ELEMENTARY SCHOOL DISTRICT
COUNTY OF TEHAMA
RED BLUFF, CALIFORNIA

AUDIT REPORT

JUNE 30, 2016

CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1475 SARATOGA AVE., SUITE 180
SAN JOSE, CA 95129

Red Bluff Union Elementary School District
Tehama County

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Chavan & Associates, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Red Bluff Union Elementary School District
Red Bluff, 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 Red Bluff Union Elementary School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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 District'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 District'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.

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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 the District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of pension contributions, schedule of proportionate share of net pension liability and schedule of funding progress for the retiree healthcare plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards,* and the other information listed in the supplementary section of the table of contents, as required by the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, and the other information listed in the supplementary section of the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and

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individual nonmajor fund financial statements, schedule of expenditures of federal awards, and the other information listed in the supplementary section of the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

New Accounting Principles

As discussed in Note 1 to the financial statements, the District adopted the provisions GASB Statement No. 72, Fair Value Measurement and Application, GASB Statement No. 79, Certain External Investment Pools and Pool Participants, and GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective June 30, 2016. Our opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016 on our consideration of the 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 the District's internal control over financial reporting and compliance.

C & A LLP

December 9, 2016
San Jose, California

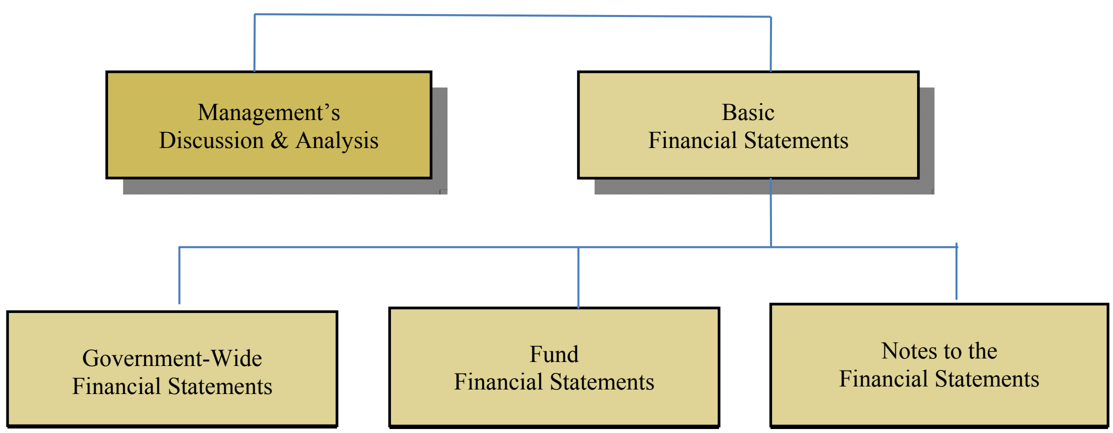
Management's Discussion and Analysis

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to presents a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2016 were as follows:

- Total net position increased by $3,142,786, or 164%, from June 30, 2015 to June 30, 2016, mainly because the District implemented GASB No. 68 which required a decrease to net position of $14,986,452 in order to record the District's proportionate share of net pension obligations for PERS and STRS in 2014/15.

- General revenues accounted for $20,260,614 which is 81% of all revenues. Program specific revenues in the form of operating grants and contributions, and charges for services accounted for $4,632,444, or 19%, of total revenues of $24,893,058.

- The District had $21,665,052 in expenses, which was directly supported by program specific revenues of $4,632,444.

- Total fund balances of governmental funds increased by $2,873,519, or 55%, from June 30, 2015 to June 30, 2016.

- Among major funds, the General Fund had $23,309,202 in revenues and $20,579,937 in expenditures. The General Fund's fund balance increased by $2,729,265 from June 30, 2015 to June 30, 2016.

USING THE ANNUAL REPORT

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, government-wide and fund statements.

- 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, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.

- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2015 - 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District does not have any business type activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's major funds begins with the balance sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, Cafeteria Fund and Capital Facilities Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary funds

The district is the trustee, or fiduciary, for student body funds. All of the district's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district's fund and government-wide financial statements because the district cannot use these assets to finance its operations.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2016 as compared to June 30, 2015:

Table 1 - Summary of Statement of Net Position

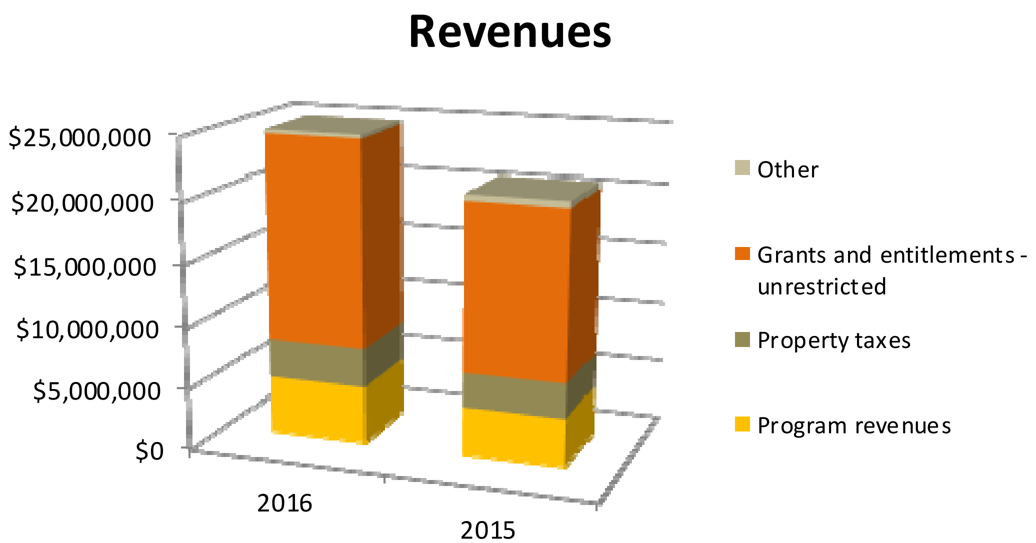
	2016	2015	Change	Percentage Change
Assets				
Current Assets	$ 9,809,674	$ 6,856,919	$ 2,952,755	43%
Noncurrent Assets	9,043,383	9,389,851	(346,468)	-4%
Total Assets	$ 18,853,057	$ 16,246,770	$ 2,606,287	16%
Deferred Outflows of Resources	$ 2,713,323	$ 1,404,205	$ 1,309,118	93%
Liabilities				
Current Liabilities	$ 1,738,025	$ 1,658,789	$ 79,236	5%
Noncurrent Liabilities	16,436,417	14,536,523	1,899,894	13%
Total Liabilities	$ 18,174,442	$ 16,195,312	$ 1,979,130	12%
Deferred Inflows of Resources	$ 2,168,616	$ 3,375,127	$ (1,206,511)	-36%
Net Position				
Net Investment in Capital Assets	$ 8,751,912	$ 9,060,872	$ (308,960)	-3%
Restricted	1,910,753	1,340,922	569,831	42%
Unrestricted	(9,439,343)	(12,321,258)	2,881,915	23%
Total Net Position	$ 1,223,322	$ (1,919,464)	$ 3,142,786	164%

Table 2 shows the changes in net position for fiscal year 2016 as compared to 2015.

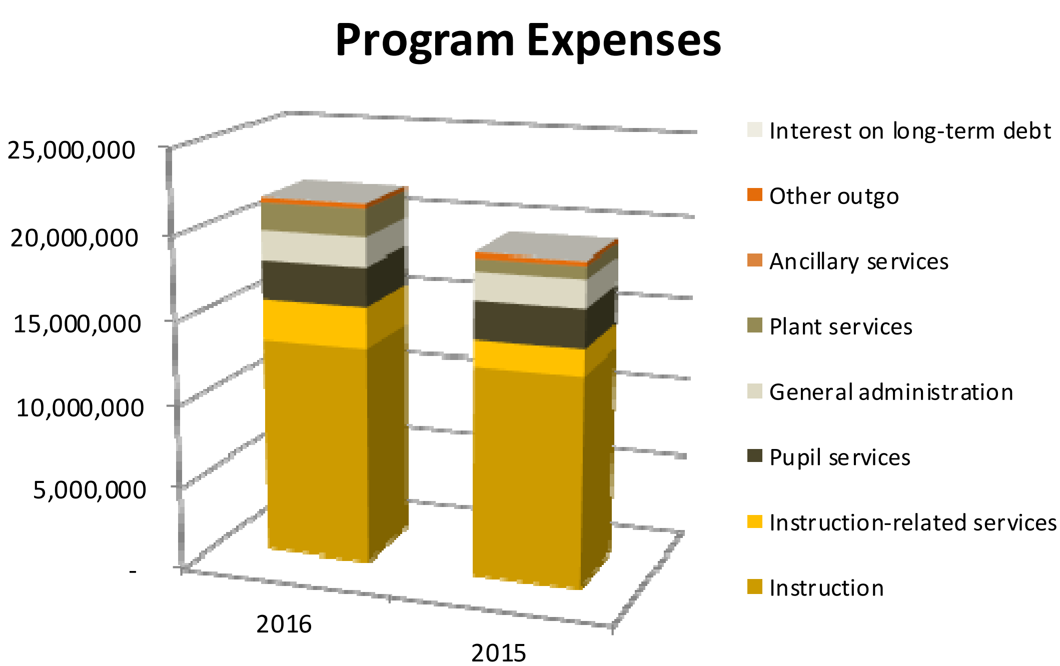
Table 2 - Summary of Changes in Statement of Activities

	2016	2015	Change	Percentage Change
Revenues				
Program revenues	$ 4,632,444	$ 3,966,230	$ 666,214	17%
General revenues:				
Property taxes	3,196,483	2,769,875	426,608	15%
Grants and entitlements - unrestricted	16,761,340	13,620,867	3,140,473	23%
Other	302,791	520,419	(217,628)	-42%
Total Revenues	24,893,058	20,877,391	4,015,667	19%
Program Expenses				
Instruction	13,019,639	12,651,488	368,151	3%
Instruction-related services	2,542,223	1,521,916	1,020,307	67%
Pupil services	2,379,342	2,348,363	30,979	1%
General administration	1,727,451	1,705,027	22,424	1%
Plant services	1,669,327	740,419	928,908	125%
Ancillary services	37,520	32,951	4,569	14%
Other outgo	273,768	262,659	11,109	4%
Interest on long-term debt	15,782	18,351	(2,569)	-14%
Total Expenses	21,665,052	19,281,174	2,383,878	12%
Change in Net Position	3,228,006	1,596,217	1,631,789	102%
Prior Period Adjustment GASB 68	(85,220)	(14,986,452)	14,901,232	17486%
Begininng Net Position	(1,919,464)	11,470,771	(13,390,235)	-117%
Ending Net Position	$ 1,223,322	$ (1,919,464)	$ 3,142,786	164%

The following is a summary of government wide revenues for the fiscal year ended June 30, 2016:



The following is a summary of expenses by function for the fiscal year ended June 30, 2016:



GOVERNMENTAL ACTIVITIES

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services as compared to the prior fiscal year. That is, it identifies the cost of these services supported by general revenues for the government-wide statements (not the General Fund).

Table 3 - Net Cost of Services

	2016	2015	Change	Percentage Change
Instruction	$ 10,299,090	$ 10,526,094	$ (227,004)	-2%
Instruction-related services	2,174,955	1,255,407	919,548	73%
Pupil services	1,106,435	1,130,292	(23,857)	-2%
General administration	1,574,610	1,532,549	42,061	3%
Plant services	1,640,714	650,019	990,695	152%
Ancillary services	35,944	31,861	4,083	13%
Other outgo	185,078	170,371	14,707	9%
Interest on long-term debt	15,782	18,351	(2,569)	-14%
Total Net Cost of Services	$ 17,032,608	$ 15,314,944	$ 1,717,664	11%

Instruction expenditures include activities directly dealing with the teaching of pupils.

Instruction-related Services include the activities involved with assisting staff with the content and process of educating students.

Pupil Services include guidance and counseling, psychological, health, speech and testing services, transporting students, as well as preparing, delivering, and serving meals to students.

General Administration reflects expenditures associated with the administrative and financial supervision of the School District. Typical functions would include the Board of Trustees and Superintendent, Human Resources, Data Processing and Business Services.

Plant Services involve keeping the school grounds, buildings, and equipment in effective working condition.

Ancillary Services represent the expenditures associated with co-curricular and athletic programs for students of the District.

Community Services include paid overtime or extra time for custodial services performed entirely as a result of community services activities.

Other Outgo includes tuitions and transfers of resources between Red Bluff Union Elementary School District and other educational agencies for services provided to Red Bluff Union students.

THE DISTRICT'S FUNDS

Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 4 - Summary of Fund Balances				
	2016	2015	Change	Percentage Change
General	$ 6,560,477	$ 3,831,212	$ 2,729,265	71%
Cafeteria Fund	684,604	740,265	(55,661)	-8%
Capital Facilities Fund	772,891	61,810	711,081	1150%
Deferred Maintenance Fund	53,677	564,843	(511,166)	-90%
Total Fund Balances	$ 8,071,649	$ 5,198,130	$ 2,873,519	55%

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting.

During the course of the 2015-2016 fiscal year, the District revised its General Fund budget twice, at 1st Interim and 2nd interim, which resulted in an increase in budgeted expenditures of $1,978,208 from the original to final budget.

For the General Fund, the final budget basis revenue and other financing sources estimate was $23,418,680. The original budgeted estimate was $21,222,567.

CAPITAL ASSETS

Table 5 shows June 30, 2016 capital asset balances as compared to June 30, 2015.

Table 5 - Summary of Capital Assets Net of Depreciation				
	2016	2015	Change	Percentage Change
Land	$ 419,500	$ 419,500	$ -	0%
Buildings and Improvements	7,700,558	8,088,329	(387,771)	-5%
Equipment	923,325	796,804	126,521	16%
Total Capital Assets - Net	$ 9,043,383	$ 9,304,633	$ (261,250)	-3%

LONG TERM LIABILITIES

Table 6 summarizes the percent changes in long-term liabilities over the past two years.

Table 6 - Summary of Long-term Liabilities				
	2016	2015	Change	Percentage Change
Note Payable	$ 291,471	$ 328,979	$ (37,508)	-11%
Net Pension Obligation	13,933,522	12,111,200	1,822,322	15%
Annual Net OPEB Obligation	2,173,805	2,047,447	126,358	6%
Compensated Absences	37,619	48,897	(11,278)	-23%
Total Long-term Liabilities	$ 16,436,417	$ 14,536,523	$ 1,899,894	13%

FACTORS BEARING ON THE DISTRICT'S FUTURE

There are several factors that still may affect the school district's future.

One factor is the possible trend of declining enrollment issues which will require the district to make the necessary reductions in the future years if it continues. Because the district loses revenue per student proportionally faster than services can be reduced; expenditures continue to exceed revenues.

The district has not seen a big increase in participation of healthcare coverage with the implementation of the Affordable Care Act (ACA), but will continue to monitor it and take a conservative approach financially.

The most significant factor bearing on the district's future is declining enrollment, on top of the increases to STRS and PERS contributions. The STRS and PERS contributions are currently at 12.88% for STRS and 13.88% for PERS. Final contributions in year 20/21 are to be around 19.10% for STRS and 20.4% for PERS.

The Red Bluff Union Elementary School District has also been affected by proposed increases to the employer contributions for STRS and PERS retirement system which will continue to increase over the next 4 years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact:

Michelle Moore, Chief Business Official
Red Bluff Union Elementary School District
1755 Airport Boulevard
Red Bluff, CA 96080
Phone: (530) 527-7200 ext. 103

Basic Financial Statements

Red Bluff Union Elementary School District
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Current assets:	
Cash and investments	$ 8,542,864
Accounts receivable	944,278
Prepaid expenses	284,892
Stores inventories	37,640
Total current assets	9,809,674
Noncurrent assets:	
Non-depreciable capital assets	419,500
Capital assets, net of depreciation	8,623,883
Total noncurrent assets	9,043,383
Total Assets	$ 18,853,057
Deferred Outflows of Resources	
Pension Contributions	$ 2,713,323
Liabilities	
Current liabilities:	
Accounts payable	$ 1,708,969
Unearned revenue	29,056
Total current liabilities	1,738,025
Noncurrent liabilities:	
Due within one year	62,022
Due after one year	16,374,395
Total noncurrent liabilities	16,436,417
Total Liabilities	$ 18,174,442
Deferred Inflows of Resources	
Differences between projected and actual earnings in pension plans	$ 2,168,616
Net Position	
Net Investment in Capital Assets	$ 8,751,912
Restricted for:	
Educational programs	895,080
Cafeteria programs	639,464
Capital projects	53,677
Other purposes (nonexpendable)	322,532
Total restricted	1,910,753
Unrestricted	(9,439,343)
Total Net Position	$ 1,223,322

The notes to basic financial statements are an integral part of this statement

Red Bluff Union Elementary School District

Statement of Activities

For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	$ 13,019,639	$ -	$ 2,720,549	$ (10,299,090)
Instruction-related services:				
Supervision of instruction	852	-	718	(134)
Instruction library, media and technology	349,714	-	32,417	(317,297)
School site administration	2,191,657	-	334,133	(1,857,524)
Pupil services:				
Home-to-school transportation	455,837	-	-	(455,837)
Food services	1,205,828	114,781	1,077,947	(13,100)
All other pupil services	717,677	-	80,179	(637,498)
General administration:				
All other general administration	1,727,451	5,528	147,313	(1,574,610)
Plant services	1,669,327	-	28,613	(1,640,714)
Ancillary services	37,520	-	1,576	(35,944)
Other outgo	273,768	-	88,690	(185,078)
Interest on long-term debt	15,782	-	-	(15,782)
Total governmental activities	$ 21,665,052	$ 120,309	$ 4,512,135	(17,032,608)
General revenues and special items:				
Taxes and subventions:				
Taxes levied for general purposes				3,196,483
Federal and state aid not restricted to specific purposes				16,761,340
Interest and investment earnings				49,990
Miscellaneous				252,801
Total general revenues and special items				20,260,614
Change in net position				3,228,006
Net position beginning				(1,919,464)
Prior period adjustment - GASB 68				(85,220)
Net position beginning as adusted				(2,004,684)
Net position ending				$ 1,223,322

The notes to basic financial statements are an integral part of this statement

Red Bluff Union Elementary School District

Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	$ 7,280,696	$ 1,262,168	$ 8,542,864
Accounts receivable	657,060	287,218	944,278
Due from other funds	60,000	-	60,000
Prepaid expenditures	284,892	-	284,892
Stores inventories	-	37,640	37,640
Total Assets	$ 8,282,648	$ 1,587,026	$ 9,869,674
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 1,693,115	$ 15,854	$ 1,708,969
Due to other funds	-	60,000	60,000
Unearned revenue	29,056	-	29,056
Total Liabilities	1,722,171	75,854	1,798,025
Fund balances:			
Nonspendable:			
Revolving fund	7,000	7,500	14,500
Stores inventories	-	37,640	37,640
Prepaid expenditures	284,892	-	284,892
Restricted for:			
Educational programs	895,080	-	895,080
Cafeteria programs	-	639,464	639,464
Capital projects	-	53,677	53,677
Committed for:			
Technology budget	150,000	-	150,000
Fiscal solvency	3,199,331	-	3,199,331
Assigned for:			
Other post employment benefits	688,319	-	688,319
Site repairs	-	772,891	772,891
Unassigned:			
Economic uncertainties	617,398	-	617,398
Unappropriated	718,457	-	718,457
Total Fund Balances	6,560,477	1,511,172	8,071,649
Total Liabilities and Fund Balances	$ 8,282,648	$ 1,587,026	$ 9,869,674

The notes to basic financial statements are an integral part of this statement

Red Bluff Union Elementary School District

Reconciliation of the Governmental Funds

Balance Sheet to the Statement of Net Position

June 30, 2016

Total fund balances - governmental funds		$ 8,071,649
Amounts reported in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets at cost	$ 20,228,232	
Accumulated depreciation	(11,184,849)	9,043,383
The difference between projected and actual earnings from pension plan assets is not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the statement of net position, while contrbutions made in the current were reported as deferred outflows of resources because they were not paid as of the plans' valuation dates.		544,707
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 year-end consists of:		
Note payable	$ 291,471	
Net pension obligations	13,933,522	
Annual net OPEB obligation	2,173,805	
Compensated absences	37,619	(16,436,417)
Total net position - governmental activities		$ 1,223,322

The notes to basic financial statements are an integral part of this statement

Red Bluff Union Elementary School District

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2016

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
LCFF sources	$ 18,128,169	$ 270,000	$ 18,398,169
Federal revenue	1,811,705	1,045,981	2,857,686
Other state	2,315,371	79,444	2,394,815
Other local	1,053,957	188,431	1,242,388
Total revenues	23,309,202	1,583,856	24,893,058
Expenditures:			
Current			
Instruction	13,329,056	-	13,329,056
Instruction-related services:			
Supervision of instruction	880	-	880
Instruction library, media and technology	361,316	-	361,316
School site administration	1,834,125	-	1,834,125
Pupil services:			
Home-to-school transportation	391,487	-	391,487
Food services	-	1,245,832	1,245,832
All other pupil services	741,487	-	741,487
General administration:			
All other general administration	1,716,263	60,000	1,776,263
Plant services	1,893,706	17,114	1,910,820
Facilities acquisition and construction	329	63,366	63,695
Ancillary services	37,520	-	37,520
Other outgo	273,768	-	273,768
Debt service:			
Principal	-	37,508	37,508
Interest and fees	-	15,782	15,782
Total expenditures	20,579,937	1,439,602	22,019,539
Excess (deficiency) of revenues over (under) expenditures	2,729,265	144,254	2,873,519
Net changes in fund balances	2,729,265	144,254	2,873,519
Fund balances beginning	3,831,212	1,366,918	5,198,130
Fund balances ending	$ 6,560,477	$ 1,511,172	$ 8,071,649

The notes to basic financial statements are an integral part of this statement

Red Bluff Union Elementary School District

Reconciliation of the Governmental Funds Statement of
Revenues and Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

Total net change in fund balances - governmental funds			$	2,873,519
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.				
Expenditures for capital assets	$	296,394		
Depreciation expense		(557,644)		(261,250)
The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:				
Repayment of lease obligations	$	37,508		37,508
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.				693,309
In the Statement of Activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year, vacation paid exceeded the amounts earned.				11,278
In the Statement of Activities, the net postemployment benefit obligation is the amount by which the contributions toward the OPEB plan were less than the annual required contribution as actuarially determined. The net postemployment benefit obligation is not recorded in the governmental fund statements. The change in the net OPEB obligation was recorded in the Statement of Activities in the amount of:				(126,358)
Changes in net position of governmental activities			$	3,228,006

The notes to basic financial statements are an integral part of this statement

Red Bluff Union Elementary School District

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016

	Student Body Agency Fund Total
Assets	
Cash on hand and in banks	$ 45,801
Total Assets	$ 45,801
Liabilities	
Due to student groups	$ 45,801
Total Liabilities	$ 45,801

The notes to basic financial statements are an integral part of this statement

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

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

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2016, the District does not have any component units and is not a component unit of any other reporting entity.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

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

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

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

Deferred Outflows/Deferred Inflows:

Deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. For example, prepaid items and deferred charges.

Deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. For example, unearned revenue and advance collections.

Unearned Revenue:

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

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund and includes transactions accounted for in the Pupil Transportation Equipment Fund and the Special Reserve Fund for Other Postemployment Benefits Fund.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains two non-major special revenue funds:

- The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service programs.

- The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of district property.

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains one non-major capital projects fund:

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

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body accounts. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information.

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

G. 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 on June 30.

H. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and STRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. Assets, Liabilities, and Equity

1. Cash and Investments

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

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

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

2. Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. This statement changed the definition of fair value and is effective for periods beginning after June 15, 2015.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

3. Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net current assets.

The District’s central warehouse inventory is valued at a moving average cost and consists of expendable supplies held for consumption. The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

4. Capital Assets

Capital assets, which include sites, improvement of sites, buildings and improvements, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation, in which case they are recorded at estimated market value at the date of receipt. The District utilizes a capitalization threshold of $5,000.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Improvement of sites	15-20
Buildings	50
Portable buildings	25
Building improvements	15-20
Furniture and fixtures	5-15
Playground equipment	5-15
Food services equipment	5-15
Transportation equipment	5-15
Vehicles	8-10
Computer system and equipment	5-15
Office equipment	5-15

5. Compensated Absences

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

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

6. Long-Term/Noncurrent Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs are expensed in the period incurred.

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

7. Fund Balance Classifications

The District maintains a minimum unassigned fund balance of not less than 4 percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The District believes a reserve of this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aide districts are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Non-spendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.
- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent.
- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

8. Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

Educational Program restrictions reflect the amounts to be expended for federal and state funded educational programs.

Cafeteria Program restrictions reflect the amounts to be expended for federal and state funded school lunch and breakfast programs.

Unrestricted net position reflect amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

9. Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

Until full implementation, however, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

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

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

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

10. Risk Management

The District is exposed to various risks including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made. As described above, the District participates in risk pools under JPAs for property and liability, health benefits, and workers' compensation coverage.

11. Accounting Estimates

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

12. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

J. Implemented New Accounting and Reporting Changes

GASB Statement No. 72, *Fair Value Measurement and Application*

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The provisions of GASB Statement No. 72 (GASB 72) are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged.

GASB 72 provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The statement generally requires state and local governments to measure investments at fair value. The statement defines an *investment* as a security or other asset that (*a*) a government holds primarily for the purpose of income or profit and (*b*) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. *Fair value* is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date.

The statement requires that acquisition value (an entry price) be used to measure the following assets:

a. donated capital assets;
b. donated works of art, historical treasures, and other similar assets; and
c. capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

GASB 72 requires that sound and consistent valuation techniques be used to determine fair value. The valuation techniques should maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The valuation technique used should be consistent with one or more of three approaches that are appropriate in the circumstances: the market approach, cost approach, and income approach. Valuation techniques should be applied consistently from period to period. A change in valuation technique or its application is appropriate if it achieves a measurement that is equally or more representative of an asset's fair value under the circumstances.

Inputs to valuation techniques used to measure fair value are categorized into three levels as noted in the investments disclosure section.

The implementation of GASB 72 did not have a significant impact on the District's financial statements and did not result in any prior period restatements or adjustments.

GASB Statement No. 76, *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The purpose of GASB Statement No. 76 (GASB 76) is to identify the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 76 supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

GASB 76 reduces the authoritative sources of GAAP from four categories to two. According to the statement, "The sources of authoritative GAAP are categorized in descending order of authority as follows:

a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A).
b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B)."

Sources of nonauthoritative accounting literature are identified in paragraph 7 of GASB 76, and includes GASB Concepts Statements.

The implementation of GASB 76 did not have a significant impact on the District's financial statements and did not result in any prior period restatements or adjustments.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*

GASB 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in GASB 79. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in GASB 79 and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in GASB 79, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

GASB 79 establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The requirements of GASB 79 are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

The implementation of GASB 79 did not have a significant impact on the District's financial statements and did not result in any prior period restatements or adjustments.

K. Upcoming Accounting and Reporting Changes

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*

The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial*

Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

a. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
b. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
c. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

Management anticipates that this statement will not have a direct impact on the District's financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution

OPEB. This Statement also addresses certain circumstances in which a nonemployer District provides financial support for OPEB of employees of another District.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

a. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
b. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
c. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The District is in the process of determining the impact this statement will have on the financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*

GASB Statement No. 77, *Tax Abatement Disclosures,* addresses financial reporting about the nature and magnitude of tax abatements of governmental entities. The statement requires that governments that enter into tax abatements disclose more comprehensive information about the agreements, including the following:

a. Brief descriptive information including what tax is being abated, the authority under which the abatement is provided, and the eligibility criteria
b. The gross dollar amount of taxes abated during the period
c. Other commitments made by a government as part of the agreement

The complete disclosure requirements are provided in paragraphs 7 and 8 of GASB 77. GASB 77 is effective for periods beginning after December 15, 2015. The District does not anticipate a material impact on its financial statements from the implementation of this standard.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this GASB 78, the requirements of GASB 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that statement.

GASB 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The District does not anticipate a material impact on its financial statements from the implementation of this standard..

NOTE 2 - CASH AND INVESTMENTS

Summary of Deposits

A summary of deposits as of June 30, 2016, is as follows:

Description	Carrying Amount	Fair Value
Government-Wide Statements:		
Cash in revolving fund	14,500	14,500
Cash with County	8,528,364	8,605,165
Total Cash and Investments	$ 8,542,864	$ 8,619,665
Fiduciary Funds:		
Cash in Banks	$ 45,801	$ 45,801

Cash in banks and revolving funds

Cash balances in banks and revolving funds are insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2016, the bank balance of the District's accounts with banks was $54,338, which was fully insured by FDIC.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

As of June 30, 2016, the cash in the County investment pool of $8,605,165 was valued using Level 2 inputs.

Cash in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

a) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District keeps cash in the Tehama County Investment Pool which had a fair value of approximately $132 Million and an amortized book value of $131 million.

b) Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Tehama County Investment Pool is governed by the County's general investment policy. The investment with the Tehama County Investment Pool is rated at least Aa1 by Moody's Investor Service.

c) Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits.

However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

d) Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2016:

Receivables	General Fund	Nonmajor Funds	Total
Federal Government	$ 357,973	$ 263,082	$ 621,055
State Government	100,994	-	100,994
Local resources	195,996	24,136	220,132
Other resources	2,097	-	2,097
Total Accounts Receivable	$ 657,060	$ 287,218	$ 944,278

NOTE 4 - INTERFUND TRANSACTIONS

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

As of June 30, 2016, the Cafeteria fund owed the General Fund $60,000 for cash flow timing differences during the year.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2016, is shown below:

Capital Assets	Balance July 01, 2015	Additions	Adjustments & Deletions	Balance June 30, 2016
Land - not depreciable	$ 419,500	$ -	$ -	$ 419,500
Buildings and improvements	16,904,182	-	-	16,904,182
Furniture and equipment	2,608,156	296,394	-	2,904,550
Total capital assets	19,931,838	296,394	-	20,228,232
Less accumulated depreciation for:				
Buildings and improvements	8,815,853	387,771	-	9,203,624
Furniture and equipment	1,811,352	169,873	-	1,981,225
Total accumulated depreciation	10,627,205	557,644	-	11,184,849
Total capital assets - net depreciation	$ 9,304,633	$ (261,250)	$ -	$ 9,043,383

Depreciation expense was charged to governmental activities as follows:

Governmental Activity	Depreciation Expense
Instruction	$ 3,507
School site administration	416,427
All other pupil services	76,921
All other general administration	8,225
Plant services	52,564
Total depreciation expense	$ 557,644

NOTE 6 - SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in long-term debt for the year ended June 30, 2016:

Description	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Note Payable	$ 328,979	$ -	$ 37,508	$ 291,471	$ 39,450
Net Pension Obligations	12,111,200	6,247,699	4,425,377	13,933,522	-
Annual Net OPEB Obligation	2,047,447	406,667	280,309	2,173,805	-
Compensated Absences	48,897	-	11,278	37,619	22,571
Total Long-term Debt	$ 14,536,523	$ 6,654,366	$ 4,754,472	$ 16,436,417	$ 62,022

Payments for the capital lease obligations are paid from the General Fund and the Capital Facilities Fund. Other postemployment benefits, net pension obligations and compensated absences are paid by the fund for which the employee worked.

Cornerstone Community Bank Loan

The District received a $350,000 bank loan on October 20, 2014, bearing interest at 4.99% to 6.75% over 96 months, to help finance the Vista Remodel and Cafeteria Build Project. The loan is collateralized by developer fees. The future minimum lease payments are as follows:

Year Ending June 30	Principal	Interest	Total
2017	$ 39,450	$ 13,840	$ 53,290
2018	41,493	11,797	53,290
2019	43,642	9,649	53,290
2020	45,307	8,821	54,127
2021	47,889	6,837	54,726
2022-2023	73,691	3,840	77,531
Minimum Lease	$ 291,471	$ 54,783	$ 346,254

NOTE 7 - EMPLOYEE RETIREMENT PENSION PLANS

Qualified **California Public Employees Retirement System (CalPERS/PERS) Pension Plan**

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Tier 1	Tier 2
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	50	62
Monthly benefits as a % of eligible compensation	2.0%	2.0%
Required employee contribution rates	7%	6.00%
Required employer contribution rates	11.85%	11.85%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plan were as follows:

	Total
Contributions - employer	$ 380,422
Contributions - employee	230,784
Total contributions	$ 611,206

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to PERS

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Plan	$ 4,114,506

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	Proportion of Net Pension Liability
Proportion - June 30, 2014	0.0275%
Proportion - June 30, 2015	0.0279%
Change in Net Pension Liability	0.0004%

For the year ended June 30, 2016, the District recognized pension expense of $469,813 for the Plan.

At June 30, 2016, 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
Pension contributions subsequent to measurement date	$ 423,452	$ -
Changes in assumptions	-	(265,362)
Differences between expected and actual experiences	246,829	-
Net differences between projected and actual earnings on plan investments	709,325	(857,206)
Total	$ 1,379,606	$ (1,122,568)

The District reported $423,452 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

Fiscal Year Ending		Deferred Outflows/(inflows) of Resources
2017	$	(114,795)
2018		(114,795)
2019		(114,156)
2020		177,331
Total	$	(166,415)

Actuarial Assumptions - The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology. 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 pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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 for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	9.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total Allocation	100.00%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

Sensitivity of the 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 for the Plan, calculated using the discount rate for the Plan, 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 or 1-percentage point higher than the current rate:

1% Decrease		6.65%
Net Pension Liability	$	6,696,700
Current Discount Rate		7.65%
Net Pension Liability	$	4,114,506
1% Increase		8.65%
Net Pension Liability	$	1,967,238

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

California State Teachers' Retirement System (STRS) Pension Plan

General Information about the STRS Pension Plan

Plan Description - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

Benefits Provided - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law. The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Tier 1	Tier 2
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	50	55
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	9.20%	8.56%
Required employer contribution rates	10.73%	10.73%

Contributions - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. 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.

For the year ended June 30, 2016 the contributions recognized as part of pension expense for the Plan were as follows:

	Total
Contributions - employer	$ 1,023,783
Contributions - employee	401,600
Total contributions	$ 1,425,383

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to STRS

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Plan	$ 9,387,417

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	Proportion of Net Pension Liability
Proportion - June 30, 2014	0.0160%
Proportion - June 30, 2015	0.0139%
Change in Net Pension Liability	-0.0021%

or the year ended June 30, 2016, the District recognized pension expense of $594,048 for the Plan. At June 30, 2016, 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
Pension contributions subsequent to measurement date	$ 1,333,717	$ -
Differences between expected and actual experiences	-	(167,936)
Net differences between projected and actual earnings on plan investments	-	(878,112)
Total	$ 1,333,717	$ (1,046,048)

The District reported $1,333,717 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

Fiscal Year Ending	Deferred Outflows/(inflows) of Resources
2017	$ (405,408)
2018	(405,408)
2019	(405,408)
2020	170,176
Total Outflows/(Inflows) - Net	$ (1,046,048)

Actuarial Assumptions - The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.60%
Inflation	3.00%
Payroll Growth	3.75%
Projected Salary Increase	0.5% - 5.6% (1)
Investment Rate of Return	7.60% (2)
Mortality	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Derived using STRS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.60 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 increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the plan'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.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)
Global Equity	51.00%	4.50%
Fixed Income	20.00%	0.20%
Inflation Sensitive	5.00%	3.20%
Private Equity	10.00%	6.20%
Real Estate	13.00%	4.35%
Liquidity	1.00%	0.00%
Total Allocation	100.00%	

(a) 10-year geometric average.

Sensitivity of the 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 for the Plan, calculated using the discount rate for the Plan, 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 or 1-percentage point higher than the current rate:

1% Decrease		6.60%
Net Pension Liability	$	16,264,640
Current Discount Rate		7.60%
Net Pension Liability		9,982,720
1% Increase		8.60%
Net Pension Liability	$	6,206,880

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued STRS financial reports.

NOTE 8 - POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The District provides postretirement health care benefits to all employees who retire from the District on or after attaining age 50 with at least 10 years of service.

Funding Policy

The District pays health insurance premiums on behalf of qualified pre-Medicare retirees at a rate ranging from 50% to 94% of the cost, depending on length of service and other factors. Employees are not required to contribute to the plan. In order to fully fund the plan, the District would be required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's policy is to pay the benefits as a cash outlay after retirement (the pay-as-you-go method).

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$	437,484
Interest on net OPEB obligation		102,372
Adjustment to annual required contribution		(133,189)
Annual OPEB cost (expense)		406,667
Contributions made		(280,309)
Increase in net OPEB obligation		126,358
Net OPEB obligation - beginning of year		2,047,447
Net OPEB obligation - end of year	$	2,173,805

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 was as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
6/30/2014	$	666,469	50%	$	1,734,711
6/30/2015		666,469	53%		2,047,447
6/30/2016		406,667	69%		2,173,805

Funded Status and Funding Progress

The most recent actuarial valuation date was July 1, 2012. The following summarizes the funded status of the plan as of June 30, 2016:

Actuarial accrued liability (AAL)	$	3,241,782
Value of plan assets		344,399
Unfunded actuarial accrued liability (UAAL)	$	2,897,383
Funded ratio (value of plan assets/AAL)		11%
Projected covered payroll (active Plan members)	$	12,001,898
UAAL as a percentage of covered payroll		24.14%

Actuarial Methods and Assumptions

The actuarial present value of the benefits which are allocated to the current year is called the Normal Cost. The actuarial present value of the benefits which are allocated to past years, including the full value of benefits for all former employees, is called the Actuarial Accrued Liability, and is amortized over a period of future years. The ARC is the sum of that amortization and the Normal Cost. Under the entry age normal funding method, normal costs are computed as a level percentage of salary. Amortization of unfunded liability is being made as a level percentage of payroll over the 30-year period beginning July 1 2008. The remaining amortization period at June 30, 2016, was twenty-two years.

In the July 1, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a discount rate of 5 percent per year and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent. The discount rate is the interest rate at which future benefit obligations are discounted back to the present time. GASB 45 requires that the discount rate reflect the expected investment return on the District's investments.

Required Supplementary Information

Schedule of Funding Progress - Postemployement Healthcare Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
7/1/2010	$ -	$ 4,886,781	$ 4,886,781	0.00%	$ 11,418,423	43%
7/1/2012	-	5,281,984	5,281,984	0.00%	11,237,249	47%
7/1/2015	351,577	3,241,782	2,890,205	0.00%	12,001,898	24%

NOTE 9 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): Northern California Schools Insurance Group (NCSIG), North Valley Schools Insurance Group (NVSIG), Northern California ReLiEF (ReLiEF), and Schools Excess Liability Fund (SELF). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The entities arrange for and provide property and liability, workers' compensation, health benefits, and excess liability coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. The Boards control the operations of the JPAs including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.

The financial information for each JPA can be obtained by contacting them directly or visiting their websites.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

The District may be exposed to various claims and litigation. Management believes that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

REQUIRED SUPPLEMENTARY INFORMATION

Red Bluff Union Elementary School District

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
LCFF sources:	$ 18,061,922	$ 18,086,482	$ 18,128,169	$ 41,687
Federal revenues	1,614,508	1,980,699	1,811,705	(168,994)
Other state	611,732	2,263,015	2,315,371	52,356
Other local	934,405	1,088,484	1,053,957	(34,527)
Total revenues	21,222,567	23,418,680	23,309,202	(109,478)
Expenditures:				
Certificated salaries	8,517,027	8,607,884	8,436,725	171,159
Classified salaries	3,019,076	3,211,638	3,126,297	85,341
Employee benefits	4,704,134	5,185,688	4,982,181	203,507
Books and supplies	1,147,478	1,244,000	798,103	445,897
Services and other operating expenditures	2,467,901	3,476,053	2,758,692	717,361
Capital outlay	229,512	392,573	264,171	128,402
Other outgo	311,009	256,509	213,768	42,741
Total expenditures	20,396,137	22,374,345	20,579,937	1,794,408
Excess (deficiency) of revenues over (under) expenditures	826,430	1,044,335	2,729,265	1,684,930
Other financing sources (uses):				
Transfers out	225,000	-	-	-
Total other financing sources (uses)	225,000	-	-	-
Change in fund balance	1,051,430	1,044,335	2,729,265	1,684,930
Fund balances beginning	3,831,212	3,831,212	3,831,212	-
Restatements to beginning fund balance	-	-	-	-
Fund balances beginning - restated	3,831,212	3,831,212	3,831,212	-
Fund balance ending	$ 4,882,642	$ 4,875,547	$ 6,560,477	$ 1,684,930

Red Bluff Union Elementary School District
Schedule of Pension Plan Cotributions
For the Fiscal Year Ended June 30, 2016

CalPERS	2016	2015
Contractually Required Contributions (Actuarially Determined)	$ 381,252	$ 330,845
Contributions in Relation to Actuarially Determined Contributions	381,252	330,845
Contribution Deficiency (Excess)	-	-
Covered Employee Payroll	**$ 3,218,131**	**$ 2,891,496**
Contributions as a Percentage of Covered Payroll	**11.85%**	**11.44%**

<u>Notes to Schedule:</u>

Valuation Date: June 30, 2014

Assumptions Used:
Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll (Closed) Used Amortization Method
3.9 Years Remaining Amortization Period
Inflation Assumed at 2.75%
Investment Rate of Returns set at 7.5%
CalPERS mortality table using 20 years of membership data for all funds

STRS	2016	2015
Contractually Required Contributions (Actuarially Determined)	$ 834,243	$ 660,219
Contributions in Relation to Actuarially Determined Contributions	834,243	660,219
Contribution Deficiency (Excess)	-	-
Covered Employee Payroll	**$ 7,774,865**	**$ 8,002,655**
Contributions as a Percentage of Covered Payroll	**10.73%**	**8.25%**

<u>Notes to Schedule:</u>

Valuation Date: June 30, 2014

Assumptions Used:
Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll (Closed) Used Amortization Method
30 Years Remaining Amortization Period
Inflation Assumed at 3.0%
Investment Rate of Returns set at 7.6%
STRS mortality table using membership data for all funds

** Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

Red Bluff Union Elementary School District
Schedule of Proportionate Share of Net Pension Liabilties
For the Fiscal Year Ended June 30, 2016

CalPERS	2016	2015
District's Proportion of Net Pension Liability	0.02791%	0.02750%
District's Proportionate Share of Net Pension Liability	$ 4,117,625	$ 3,121,920
District's Covered Employee Payroll	$ 3,218,131	$ 2,891,496
District's Proportionate Share of NPL as a % of Covered Employee Payroll	**127.95%**	**107.97%**
Plan's Fiduciary Net Position as a % of the TPL	**79.18%**	**83.38%**

STRS	2016	2015
District's Proportion of Net Pension Liability	0.01394%	0.01600%
District's Proportionate Share of Net Pension Liability	$ 9,815,897	$ 8,989,280
District's Covered Employee Payroll	$ 7,774,865	$ 8,002,655
District's Proportionate Share of NPL as a % of Covered Employee Payroll	**126.25%**	**112.33%**
Plan's Fiduciary Net Position as a % of the TPL	**77.36%**	**76.52%**

** Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

SUPPLEMENTARY INFORMATION

Red Bluff Union Elementary School District

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2016

	Special Revenue Funds		Capital Projects Fund	
	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Total Nonmajor Governmental Funds
Assets				
Cash and investments	$ 455,265	$ 775,591	$ 31,312	$ 1,262,168
Accounts receivable	263,082	-	24,136	287,218
Stores inventories	37,640	-	-	37,640
Total Assets	$ 755,987	$ 775,591	$ 55,448	$ 1,587,026
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 11,383	$ 2,700	$ 1,771	$ 15,854
Due to other funds	60,000	-	-	60,000
Total Liabilities	71,383	2,700	1,771	75,854
Fund Balances:				
Nonspendable revolving funds	7,500	-	-	7,500
Nonspendable stores inventories	37,640	-	-	37,640
Restricted for cafeteria programs	639,464	-	-	639,464
Restricted for capital projects	-	-	53,677	53,677
Assigned for site repairs	-	772,891	-	772,891
Unassigned	-	-	-	-
Total Fund Balances	684,604	772,891	53,677	1,511,172
Total Liabilities and Fund Balances	$ 755,987	$ 775,591	$ 55,448	$ 1,587,026

Red Bluff Union Elementary School District

Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2016

	Special Revenue Funds		Capital Projects Funds	
	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Total Nonmajor Governmental Funds
Revenues:				
LCFF Sources	$ -	$ 270,000	$ -	$ 270,000
Federal revenue	1,045,981.00	-	-	1,045,981
Other state	79,444.00	-	-	79,444
Other local	124,746.00	3,864.00	59,821	188,431
Total revenues	1,250,171	273,864	59,821	1,583,856
Expenditures:				
Pupil services:				
Food services	1,245,832	-	-	1,245,832
General administration:				
All other general administration	60,000	-	-	60,000
Plant services	-	2,450	14,664	17,114
Facilities acquisition and construction	-	63,366	-	63,366
Principal	-	-	37,508	37,508
Interest and fees	-	-	15,782	15,782
Total expenditures	1,305,832	65,816	67,954	1,439,602
Excess (deficiency) of revenues over (under) expenditures	(55,661)	208,048	(8,133)	144,254
Change in fund balances	(55,661)	208,048	(8,133)	144,254
Fund balances beginning	740,265	564,843	61,810	1,366,918
Fund balances ending	$ 684,604	$ 772,891	$ 53,677	$ 1,511,172

COMPLIANCE SECTION

The District serves approximately 2100 students. The District is located in Tehama County in Red Bluff, California, and operates three elementary schools, one middle school and two community day schools. There were not changes in the boundaries of the District during the year ended June 30, 2016.

Governing Board

Name	Office	Term Expires
Sharon Barrett	President	2018
Paula Cherveny	Clerk	2016
Heidi Ackley	Member	2016
Steve Piffero	Member	2018
Adrianna Griffin	Member	2018

Administration

William McCoy
Superintendent

Claudia Salvestrin
Assistant Superintendent

Michelle Moore
Chief Business Official

Red Bluff Union Elementary School District
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2016

	Second Period Report	Annual Report
Regular ADA:		
Grades TK/K through three	983.08	982.80
Grades four through six	688.30	685.76
Grades seven and eight	387.29	386.59
Regular ADA Totals	2,058.67	2,055.15
Extended year special education:		
Grades TK/K through three	0.40	0.40
Grades four through six	0.18	0.18
Special education - nonpublic and nonsectarian:		
Grades TK/K through three	1.53	1.35
Grades four through six	0.07	0.26
Grades seven and eight	0.94	1.23
Extended Special education - nonpublic and nonsectarian:		
Grades TK/K through three	0.05	0.03
Grades seven and eight	0.04	0.03
Community Day School		
Grades TK/K through three	5.21	6.62
Grades four through six	2.24	2.61
Grades seven and eight	5.81	5.30
ADA Totals	2,075.14	2,073.16

Red Bluff Union Elementary School District
Schedule of Instructional Time Offered
For the Fiscal Year Ended June 30, 2016

Grade Level	Minutes Requirements	2016 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	55,826	180	0	In Compliance
Grade 1	50,400	53,126	180	0	In Compliance
Grade 2	50,400	53,126	180	0	In Compliance
Grade 3	50,400	53,126	180	0	In Compliance
Grade 4	54,000	54,026	180	0	In Compliance
Grade 5	54,000	54,026	180	0	In Compliance
Grade 6	54,000	54,762	180	0	In Compliance
Grade 7	54,000	54,762	180	0	In Compliance
Grade 8	54,000	54,762	180	0	In Compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District has not met or exceeded its target funding.

Red Bluff Union Elementary School District

Schedule of Financial Trends and Analysis

For the Fiscal Year Ended June 30, 2016

	(Budget [1]) 2017	2016	2015	2014
General Fund				
Revenues and other financial sources	$ 22,927,013	$ 23,309,202	$ 18,994,275	$ 18,427,450
Expenditures	23,676,741	20,579,937	19,044,385	18,533,689
Other uses and transfers (out)	-	-	200,000	-
Total outgo	23,676,741	20,579,937	19,244,385	18,533,689
Change in fund balance	$ (749,728)	$ 2,729,265	$ (250,110)	$ (106,239)
Ending fund balance	$ 5,810,749	$ 6,560,477	$ 3,831,212	$ 4,081,322
Available reserves (2) (3)	$ 1,793,411	$ 1,335,855	$ 1,854,294	$ 584,999
Reserve for economic uncertainties	$ 718,000	$ 617,398	$ 590,000	$ 584,999
Unassigned fund balance	$ 1,075,411	$ 718,457	$ 1,264,294	$ -
Available reserves as a percentage of total outgo	7.6%	6.5%	9.6%	3.2%
Total long-term debt	$ 16,374,395	$ 16,436,417	$ 14,536,523	$ 1,849,500
Average daily attendance (ADA) at P-2	2,075	2,075	2,059	2,040

ADA has increased by 35 over the past three years. The District anticipates no change in ADA next year.

The General Fund balance has decreased by $2,479,155 the last three years. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, other uses (total outgo). The fiscal year 2016-17 budget projects a $749,728 decrease in fund balance.

The District has had an operating deficit in each of the past three years. Total long-term debt has increased by $14,586,917 over the past three years.

[1] Budget numbers are based on the first adopted budget of the fiscal year 2016/17.

[2] Available reserves consists of all unassigned fund balances in the General Fund, which includes the reserve for economic uncertainties.

Red Bluff Union Elementary School District

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2016

PROGRAM NAME	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U. S. DEPARTMENT OF AGRICULTURE:			
Child Nutrition - School Programs	10.555 [1]	13524	$ 1,045,981
Total Child Nutrition Cluster			1,045,981
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,045,981
U. S. DEPARTMENT OF EDUCATION:			
Special Education Cluster			
IDEA Local Assistance, Basic Local Assistance	84.027	13379	278,811
Total Special Education Cluster			278,811
NCLB: Title VI, Part B, Rural & Low Income School Program	84.358	14356	39,887
Title II, Improving Teacher Quality	84.367	14341	171,774
NCLB (ESEA) : Title III, Limited English Proficient (LEP) Student Program	84.365	14346	11,806
Title I, Basic Grants Low Income and Neglected	84.010	14981	1,089,257
TOTAL U. S. DEPARTMENT OF EDUCATION			1,591,535
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education:			
Medi-Cal Billing Option	93.778	10013	110,152
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			110,152
TOTAL FEDERAL PROGRAMS			$ 2,747,668

[1] Audited as major program

Red Bluff Union Elementary School District

Reconciliation of Annual Financial and Budget Report (SACS)

to the Audited Financial Statements

For the Fiscal Year Ended June 30, 2016

	General Fund	Cafeteria Fund	Capital Facilities Fund	Other Nonmajor Governmental Funds
June 30, 2016 Annual Financial and Budget Report Fund Balances	$ 5,872,158	$ -	$ -	$ 2,199,491
Adjustments and Reclassifications:				
Special Reserve Fund for Other Postemployment Benefits	688,319	-	-	(688,319)
June 30, 2016 Audited Financial Statements Fund Balances	$ 6,560,477	$ -	$ -	$ 1,511,172

NOTE 1 - PURPOSE OF SCHEDULES

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.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. 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.

Schedule of Financial Trends and Analysis

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

Schedule of Expenditures of Federal Awards

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance requirements.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the annual financial and budget report to the audited financial statements.

NOTE 2 - RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEM

There were no material unreconciled differences between the District's records and the Schedule of Federal Grant Activity as shown on the Schedule of Expenditures of Federal Awards.

NOTE 3 - BASIS OF PRESENTATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 4 - EARLY RETIREMENT INCENTIVE PROGRAM

The District has not adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

OTHER INDEPENDENT AUDITOR'S REPORTS

Chavan & Associates, LLP
Certified Public Accountants

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

Board of Trustees
Red Bluff Union Elementary School District
Red Bluff, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

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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 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.

C & A LLP

December 9, 2016
San Jose, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 CFR PART 200 (UNIFORM GUIDANCE)

Board of Trustees
Red Bluff Union Elementary School District
Red Bluff, California

Report on Compliance for Each Major Federal Program

We have audited Red Bluff Union Elementary School District's (the District) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of

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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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The District's internal control over compliance.

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

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

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

C & A LLP

December 9, 2016
San Jose, California

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS

Board of Education
Red Bluff Union Elementary School District
Red Bluff, California

Compliance

We have audited the Red Bluff Union Elementary School District's (the District) compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District's state programs identified below for the year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards, and state 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 compliance with the state laws and regulations described in the schedule below, occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Description	Procedures Performed
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	No
Instructional Time	Yes
Instructional Materials	Yes

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Description	Procedures Performed
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	N/A
After School	N/A
Before School	N/A
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	N/A
Immunizations	Yes
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

We did not perform the audit procedures for Continuation Education and Full-time Independent Study programs because the ADA was under the level that requires testing.

Opinion

In our opinion, Red Bluff Union Elementary School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2016.

C & A LLP

December 9, 2016
San Jose, California

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FINDINGS AND RECOMMENDATIONS

Red Bluff Union Elementary School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	**Unmodified**
Internal control over financial reporting:	
Material weaknesses?	___ Yes x No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes x No
Non-compliance material to financial statements noted?	___ Yes x No

Federal Awards

Internal control over major programs:	
Material weaknesses?	___ Yes x No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes x No
Type of auditor's report issued on compliance over major programs	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	___ Yes x No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
10.555	Child Nutrition - School Programs

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

State Awards

Internal control over state programs:	
Material weaknesses?	___ Yes x No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes x No
Type of auditor's report issued on compliance over state programs:	**Unmodified**

Section II – Financial Statement Findings

No findings noted.

Section III – Federal Award Findings and Questioned Costs

No findings noted.

Section IV – State Award Findings and Questioned Costs

No findings noted.

Section II – Financial Statement Findings

No findings noted.

Section III – Federal Award Findings and Questioned Costs

No findings noted.

Section IV – State Award Findings and Questioned Costs

No findings noted.