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

AUDIT REPORT

JUNE 30, 2019

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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FINANCIAL SECTION

CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of the 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, 2019, 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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Deficit Net Position

As of June 30, 2019, the District's net position in its Government-wide financial statements was at a deficit mostly because of the long-term pension liabilities and deferrals as reported in Note 7 and Note 8. Our opinion is not modified with respect to this matter.

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. See Note 6 for a summary of direct borrowings and direct placements. Our opinion has not been modified with respect to this matter.

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, schedule of OPEB contributions, and schedule of changes in net OPEB liability, 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.

Supplementary 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

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nonmajor fund financial statements, as required by the Governmental Accounting Standards Board; organization schedule, schedule of average daily attendance, schedule of instructional time offered, schedule of Charter Schools, schedule of financial trends and analysis, and the reconciliation of the Annual Financial and Budget Report to the Audited Financial Statements, as required by the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*; and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* 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, schedule of average daily attendance, schedule of instructional time, and the reconciliation of the annual financial and budget report to the audited financial statements 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. Except for organization schedule and schedule of financial trends and analysis, 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 individual nonmajor fund financial statements, schedule of expenditures of federal awards, schedule of average daily attendance, schedule of instructional time offered, and the reconciliation of the annual financial budget report to the audited financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule, schedule of charter schools, and schedule of financial trends and analysis included have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 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 16, 2019
San Jose, California

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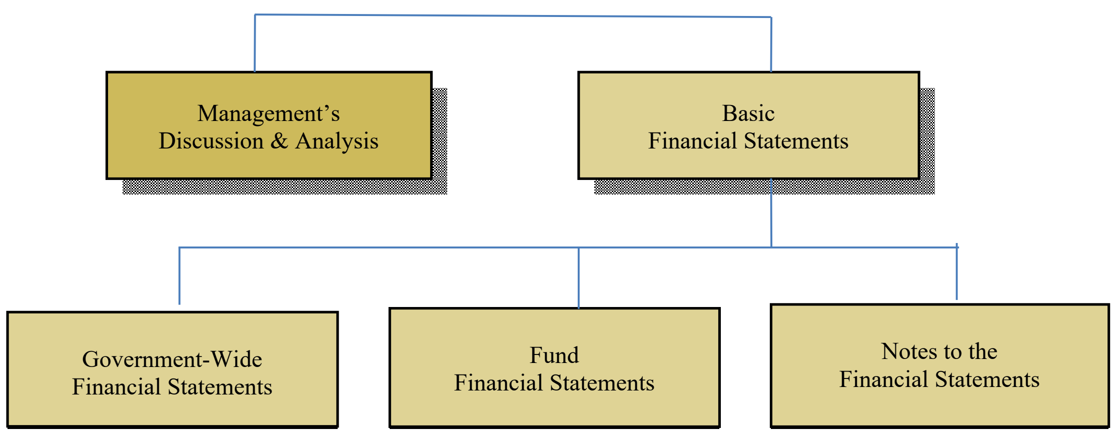
Management's Discussion and Analysis

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, 2019. 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, 2019 were as follows:

- Total net position decreased by $915,945, or 91.7%, from June 30, 2018 to June 30, 2019.
- General revenues accounted for $21,416,313 which is 80% of all revenues. Program specific revenues in the form of operating grants and contributions, and charges for services accounted for $5,378,974, or 20%, of total revenues of $26,795,287.
- The District had $27,711,232 in expenses, which was directly supported by program specific revenues of $5,378,974.
- Total fund balances of governmental funds increased by $5,683,597, or 61.2%, from June 30, 2018 to June 30, 2019, mainly due to proceeds from bond issuance.
- Among major funds, the General Fund had $25,176,904 in revenues and $23,853,779 in expenditures. The General Fund's fund balance increased by $1,323,125 from June 30, 2018 to June 30, 2019.

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 2018 - 2019?" 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 is the General 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, 2019 as compared to June 30, 2018:

Table 1 - Summary of Statement of Net Position

	2019	2018	Change	Percentage Change
Assets				
Current Assets	$ 16,740,115	$ 11,439,952	$ 5,300,163	46.3%
Capital Assets	8,432,140	8,969,289	(537,149)	-6.0%
Total Assets	$ 25,172,255	$ 20,409,241	$ 4,763,014	23.3%
Deferred Outflows of Resources	$ 7,161,651	$ 7,059,704	$ 101,947	1.4%
Liabilities				
Current Liabilities	$ 1,763,774	$ 2,147,208	$ (383,434)	-17.9%
Noncurrent Liabilities	30,936,855	24,729,456	6,207,399	25.1%
Total Liabilities	$ 32,700,629	$ 26,876,664	$ 5,823,965	21.7%
Deferred Inflows of Resources	$ 1,548,423	$ 1,591,482	$ (43,059)	-2.7%
Net Position				
Net Investment in Capital Assets	$ 8,265,254	$ 8,758,761	$ (493,507)	-5.6%
Restricted	1,567,650	1,260,994	306,656	24.3%
Unrestricted	(11,748,050)	(11,018,956)	(729,094)	-6.6%
Total Net Position	$ (1,915,146)	$ (999,201)	$ (915,945)	91.7%

During the year, deferred outflows of resources increased by 1.4% and deferred inflows of resources decreased by 2.7% mostly because of changes in the pension and OPEB amounts and actuarial assumptions related to GASB 68 and GASB 75, respectively. GASB 68 requires all local governments that participate in cost sharing pension plans to record its proportionate share of net pension liabilities from pension plans in the government-wise financial statements.

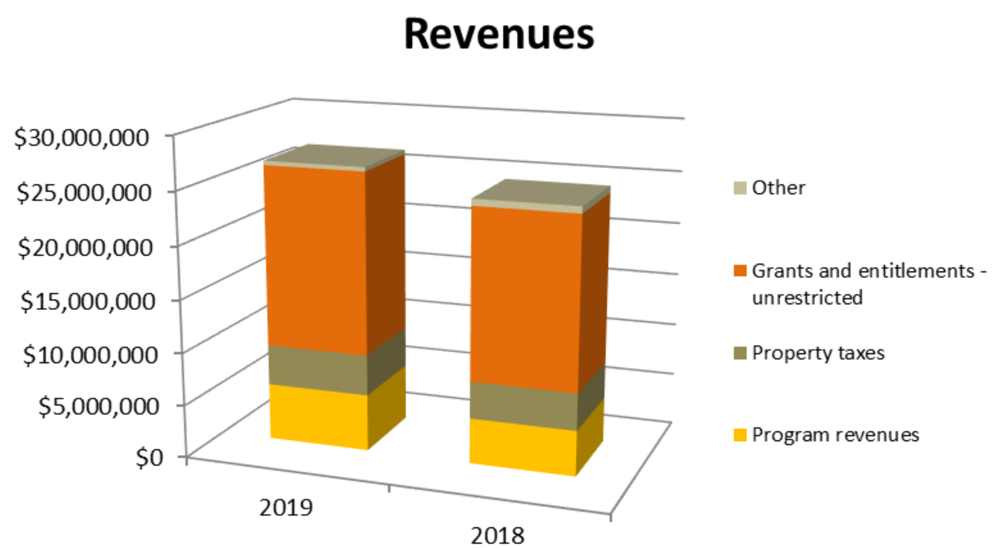
The increase in noncurrent liabilities were mainly from the issuance of general obligation bond. The decrease in capital assets is mainly the result of fixed assets depreciation.

Table 2 shows the changes in net position for fiscal year 2019 as compared to 2018.

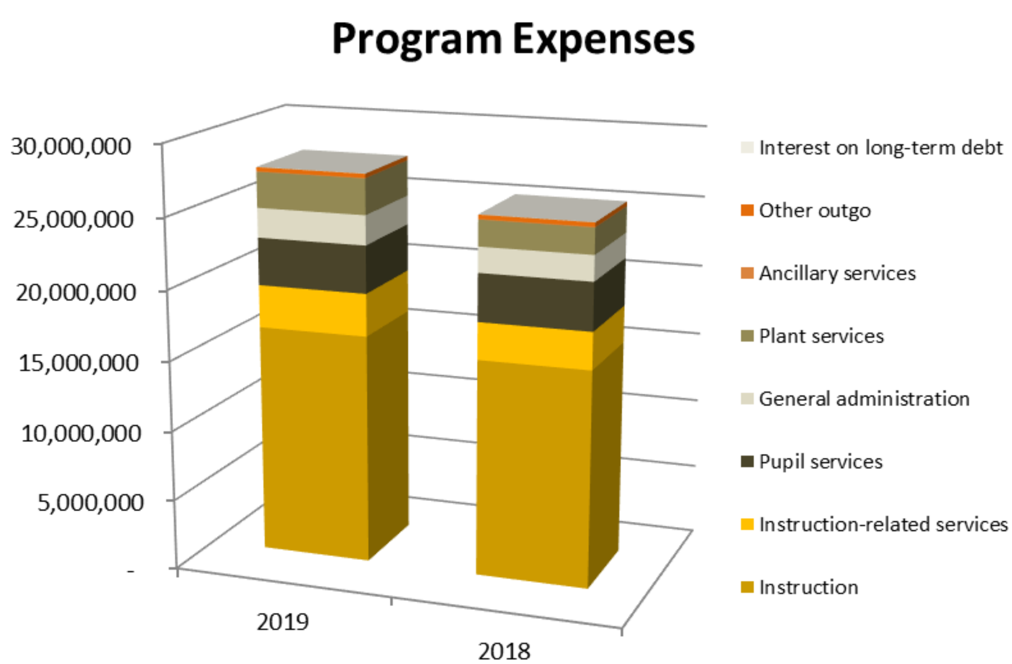
Table 2 - Summary of Changes in Statement of Activities				
	2019	2018	Change	Percentage Change
Revenues				
Program revenues	$ 5,378,974	$ 4,311,183	$ 1,067,791	24.8%
General revenues:				
Property taxes	3,849,382	3,498,977	350,405	10.0%
Grants and entitlements - unrestricted	17,166,527	16,175,105	991,422	6.1%
Other	400,404	649,688	(249,284)	-38.4%
Total Revenues	26,795,287	24,634,953	2,160,334	8.8%
Program Expenses				
Instruction	16,361,933	15,439,134	922,799	6.0%
Instruction-related services	3,027,033	2,645,944	381,089	14.4%
Pupil services	3,371,606	3,385,014	(13,408)	-0.4%
General administration	2,096,112	1,798,005	298,107	16.6%
Plant services	2,518,108	1,829,289	688,819	37.7%
Ancillary services	45,630	47,749	(2,119)	-4.4%
Other outgo	276,003	287,107	(11,104)	-3.9%
Interest on long-term debt	14,807	11,797	3,010	25.5%
Total Expenses	27,711,232	25,444,039	2,267,193	8.9%
Change in Net Position	(915,945)	(809,086)	(106,859)	13.2%
Prior Period Adjustment GASB 75	-	(589,734)	589,734	-100.0%
Begininng Net Position	(999,201)	399,619	(1,398,820)	-350.0%
Ending Net Position	$ (1,915,146)	$ (999,201)	$ (915,945)	-91.7%

The District's expenses for instructional services was 70% of total expenses in fiscal year 2019 as compared to 71% in fiscal year 2018. The District's expenses for plant services was 12.2% of total expenses in fiscal year 2019 as compared to 13.3% in fiscal year 2018. The District's expenses for interest on long-term debt was 0.05% of total expenses in fiscal year 2019, the same as in fiscal year 2018. Total expenses were 103% of revenue in fiscal year 2019, the same as in fiscal year 2018.

The following is a summary of government wide revenues for the fiscal year ended June 30, 2019:



The following is a summary of expenses by function for the fiscal year ended June 30, 2019:



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

	2019	2018	Change	Percentage Change
Instruction	$ 13,372,892	$ 12,750,000	$ 622,892	4.9%
Instruction-related services	2,524,275	2,543,364	(19,089)	-0.8%
Pupil services	1,810,657	2,118,498	(307,841)	-14.5%
General administration	1,949,357	1,631,169	318,188	19.5%
Plant services	2,464,323	1,821,235	643,088	35.3%
Ancillary services	42,113	46,218	(4,105)	-8.9%
Other outgo	153,834	210,575	(56,741)	-26.9%
Interest on long-term debt	14,807	11,797	3,010	25.5%
Total Net Cost of Services	$ 22,332,258	$ 21,132,856	$ 1,199,402	5.7%

The following summarizes the District's functions:

- *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.
- *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.
- *Interest on long-term debt* involves the transactions associated with the payment of interest and other related charges to debt of the District.

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

	2019	2018	Change	Percentage Change
General	$ 9,643,132	$ 8,320,007	$ 1,323,125	15.9%
Cafeteria Fund	76,919	158,894	(81,975)	-51.6%
Deferred Maintenance Fund	832,735	717,663	115,072	16.0%
Building Fund	4,210,523	-	4,210,523	0.0%
Capital Facilities Fund	119,473	96,180	23,293	24.2%
Bond Interest and Redemption Fund	93,559	-	93,559	0.0%
Total Fund Balances	$ 14,976,341	$ 9,292,744	$ 5,683,597	61.2%

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 2018-2019 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 $2,031,956 from the original to final budget.

For the General Fund, the final budget basis revenue and other financing sources estimate was $26,199,058. The original budgeted estimate was $24,167,102.

CAPITAL ASSETS

Table 5 shows June 30, 2019 capital asset balances as compared to June 30, 2018.

Table 5 - Summary of Capital Assets Net of Depreciation

	2019	2018	Change	Percentage Change
Land	$ 419,500	$ 419,500	$ -	0.0%
Buildings and Improvements	7,276,990	7,688,927	(411,937)	-5.4%
Equipment	735,650	860,862	(125,212)	-14.5%
Total Capital Assets - Net	$ 8,432,140	$ 8,969,289	$ (537,149)	-6.0%

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				
	2019	2018	Change	Percentage Change
General Obligation Bond	$ 4,293,559	$ -	$4,293,559	0.00%
Note Payable	166,886	210,528	(43,642)	-20.7%
Net Pension Liabilities	22,882,708	21,231,785	1,650,923	7.8%
Net OPEB Liability	3,543,943	3,244,313	299,630	9.2%
Compensated Absences	49,759	42,830	6,929	16.2%
Total Long-term Liabilities	$ 30,936,855	$ 24,729,456	$6,207,399	25.1%

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Red Bluff Union Elementary School District continues to be affected by proposed increases to the employer contributions for STRS and PERS retirement system which will continue to increase over the next 6 years. The STRS and PERS contributions are currently at 16.28% for STRS and 18.06% for PERS. Contributions in year 21/22 are to be around 19.10% for STRS and 24.6% for PERS.

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:

Angie Pacheco, 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, 2019

	Governmental Activities
Assets	
Current assets:	
Cash and investments	$ 15,631,255
Accounts receivable	1,010,323
Prepaid expenses	39,474
Stores inventories	59,063
Total current assets	16,740,115
Noncurrent assets:	
Non-depreciable capital assets	419,500
Capital assets, net of depreciation	8,012,640
Total noncurrent assets	8,432,140
Total Assets	$ 25,172,255
Deferred Outflows of Resources	
OPEB adjustments	$ 410,390
Pension adjustments	6,751,261
Total Deferred Outflows of Resources	$ 7,161,651
Liabilities	
Current liabilities:	
Accounts payable	$ 1,757,383
Unearned revenue	6,391
Total current liabilities	1,763,774
Noncurrent liabilities:	
Due within one year	75,162
Due after one year	30,861,693
Total noncurrent liabilities	30,936,855
Total Liabilities	$ 32,700,629
Deferred Inflows of Resources	
OPEB adjustments	$ 14,856
Pension adjustments	1,533,567
Total Deferred Inflows of Resources	$ 1,548,423
Net Position	
Net Investment in Capital Assets	$ 8,265,254
Restricted for:	
Educational programs	1,245,725
Debt service	93,559
Cafeteria programs	10,356
Capital projects	119,473
Other purposes (nonexpendable)	113,037
Total restricted	1,582,150
Unrestricted	(11,762,550)
Total Net Position	$ (1,915,146)

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, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	$ 16,361,933	$ 31,714	$ 2,957,327	$ (13,372,892)
Instruction-related services:				
Supervision of instruction	202	3	55	(144)
Instruction library, media and technology	412,900	-	8,956	(403,944)
School site administration	2,613,931	4,387	489,357	(2,120,187)
Pupil services:				
Home-to-school transportation	502,358	-	-	(502,358)
Food services	1,415,781	109,751	1,128,756	(177,274)
All other pupil services	1,453,467	45	322,397	(1,131,025)
General administration:				
All other general administration	2,096,112	-	146,755	(1,949,357)
Plant services	2,518,108	1,352	52,433	(2,464,323)
Ancillary services	45,630	-	3,517	(42,113)
Other outgo	276,003	51,410	70,759	(153,834)
Interest on long-term debt	14,807	-	-	(14,807)
Total governmental activities	$ 27,711,232	$ 198,662	$ 5,180,312	(22,332,258)
General revenues and special items:				
Taxes and subventions:				
Taxes levied for general purposes				3,849,382
Federal and state aid not restricted to specific purposes				17,166,527
Interest and investment earnings				201,992
Interagency revenue				48,709
Miscellaneous				149,703
Total general revenues and special items				21,416,313
Change in net position				(915,945)
Net position beginning				(999,201)
Net position ending				$ (1,915,146)

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, 2019

	General Fund	Cafeteria Special Revenue Fund	Building Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 10,612,666	$ 31,956	$ 4,304,082	$ 682,551	$ 15,631,255
Accounts receivable	740,292	270,031	-	-	1,010,323
Due from other funds	327,551	-	-	363,559	691,110
Prepaid expenditures	39,474	-	-	-	39,474
Stores inventories	-	59,063	-	-	59,063
Total Assets	$ 11,719,983	$ 361,050	$ 4,304,082	$ 1,046,110	$ 17,431,225
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 1,744,183	12,857	$ -	$ 343	$ 1,757,383
Due to other funds	326,277	271,274	93,559	-	691,110
Unearned revenue	6,391	-	-	-	6,391
Total Liabilities	2,076,851	284,131	93,559	343	2,454,884
Fund balances:					
Nonspendable:					
Revolving fund	7,000	7,500	-	-	14,500
Stores inventories	-	59,063	-	-	59,063
Prepaid expenditures	39,474	-	-	-	39,474
Restricted for:					
Educational programs	1,245,725	-	-	-	1,245,725
Debt service	-	-	-	93,559	93,559
Local grants and donations	-			-	-
Cafeteria programs	-	10,356	-	-	10,356
Capital projects	-	-	4,210,523	119,473	4,329,996
Assigned for:					
Postemployment Benefits	717,843	-	-	-	717,843
Educational programs	2,449,214	-	-	-	2,449,214
Site repairs	-	-	-	832,735	832,735
Unassigned:					
Economic uncertainties	4,500,000	-	-	-	4,500,000
Unappropriated	683,876	-	-	-	683,876
Total Fund Balances	9,643,132	76,919	4,210,523	1,045,767	14,976,341
Total Liabilities and Fund Balances	$ 11,719,983	$ 361,050	$ 4,304,082	$ 1,046,110	$ 17,431,225

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, 2019

Total fund balances - governmental funds		$ 14,976,341
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	$ 21,028,543	
Accumulated depreciation	(12,596,403)	8,432,140
Differences from benefit plan assumptions, investment returns, contributions, experience and proportionate shares are reported as deferred inflows and outfows of resources in the government wide statements. However, only items requiring the use of current resources are reported in the fund statements.		5,613,228
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:		
General obligation bonds	$ 4,293,559	
Note payable	166,886	
Net pension Liabilities	22,882,708	
Net OPEB liability	3,543,943	
Compensated absences	49,759	(30,936,855)
Total net position - governmental activities		$ (1,915,146)

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, 2019

	General Fund	Cafeteria Special Revenue Fund	Building Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	$ 19,907,497	$ -	$ -	$ 270,000	$ 20,177,497
Federal revenue	1,637,850	1,018,434	-	-	2,656,284
Other state	2,651,608	98,492	-	-	2,750,100
Other local	979,949	121,581	14,542	95,333	1,211,405
Total revenues	25,176,904	1,238,507	14,542	365,333	26,795,286
Expenditures:					
Current:					
Instruction	15,250,653	-	-	-	15,250,653
Instruction-related services:					
Supervision of instruction	188	-	-	-	188
Instruction library, media and technology	385,107	-	-	-	385,107
School site administration	2,026,113	-	-	-	2,026,113
Pupil services:					
Home-to-school transportation	392,464	-	-	-	392,464
Food services	-	1,320,482	-	-	1,320,482
All other pupil services	1,355,632	-	-	-	1,355,632
General administration:					
All other general administration	1,946,884	-	-	-	1,946,884
Plant services	2,168,080	-	4,019	168,519	2,340,618
Facilities acquisition and construction	7,025	-	-	-	7,025
Ancillary services	45,630	-	-	-	45,630
Other outgo	276,003	-	-	-	276,003
Debt service:					
Principal	-	-	-	43,642	43,642
Interest and fees	-	-	-	14,807	14,807
Total expenditures	23,853,779	1,320,482	4,019	226,968	25,405,248
Other financing sources (uses):					
Proceeds from bond issuance	-	-	4,200,000	-	4,200,000
Premium from bond issuance	-	-	-	93,559	93,559
Total other financing sources (uses)	-	-	4,200,000	93,559	4,293,559
Net change in fund balances	1,323,125	(81,975)	4,210,523	231,924	5,683,597
Fund balances beginning	8,320,007	158,894	-	813,843	9,292,744
Fund balances ending	$ 9,643,132	$ 76,919	$ 4,210,523	$ 1,045,767	$ 14,976,341

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, 2019

Total net change in fund balances - governmental funds		$ 5,683,597
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.		
Capital assets additions	$ 54,197	
Depreciation expense	(591,346)	(537,149)
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:		
Proceeds from bond issuance	$ (4,200,000)	
New bond premium	(93,559)	
Repayment of notes payable	43,642	(4,249,917)
In governmental funds, actual contributions to benefit plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year benefit expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		(1,805,547)
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.		(6,929)
Changes in net position of governmental activities		$ (915,945)

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, 2019

	Student Body Agency Fund Total
Assets	
Cash on hand and in banks	$ 39,126
Total Assets	$ 39,126
Liabilities	
Due to student groups	$ 39,126
Total Liabilities	$ 39,126

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

Notes to the Basic Financial Statements

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 using the criteria established by GASB. 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, 2019, 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 except for agency fund, which have no 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. To achieve comparability of reporting among California districts, and so as not to distort normal revenue patterns with specific respect to reimbursement grants and correction to state-aid apportionments, the California Department of Education has defined available for district as collectible within one year.

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

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow of resources related to the recognition of the net pension liability reported in the Statement of Net Position.

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

Unearned Revenue:

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

Unavailable 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 of resources as unavailable 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 Special Reserve Fund for Other Postemployment Benefits Fund. This fund is not substantially composed of restricted or committed revenue sources and does not meet the definition of a special revenue fund. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in this fund is being reported within the General Fund.

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

The *Building Fund* is used to account for the acquisition and construction of major governmental capital facilities and buildings from the sale of bond proceeds.

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 one non-major special revenue fund:

- 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).

Debt Service Funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term debt. The District maintains one non-major capital projects fund:

- The *Bond Interest and Redemption Fund* is used to account for the interest and redemption of principal of general obligation bonds.

Fiduciary Funds:

The District maintains the following 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. Benefit Plans

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 (CalSTRS) 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 CalSTRS. 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.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

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

Other Postemployment Benefits Other Than Pensions (OPEB):

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, information about the fiduciary net position, the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions are based on when they are due and payable in accordance with the benefit terms for the measurement period included in the OPEB plan's actuarial reports. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

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.

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

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. 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.

4. Prepaid Expenses

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, thus recording a prepaid expenditure in the Statement of Net Position.

5. 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

6. 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.

7. Long-Term Liabilities

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 as well as issuance costs if related to prepaid issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs, not related to prepaid 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 or uses.

8. Fund Balance Classifications

The District maintains a minimum unassigned fund balance of not less than four 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.

9. <u>Net Position</u>

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. As of June 30, 2019, capital assets net of accumulated depreciation totaling $8,432,140 was increased by unspent bond proceeds of $4,210,523 and reduced by related debt of $4,293,559, which excluded premiums attributed to cash reserves for debt service of $93,559. 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.

Debt service restrictions reflect the cash balances in the debt service funds of $93,559 that are restricted for debt service payments by debt covenants, reduced by outstanding bond premiums of $93,559.

Unrestricted net position reflects 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.

10. 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.

11. 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.

12. Interfund Transactions

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

13. Eliminations and Reclassifications

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

14. 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.

J. Implemented New Accounting and Reporting Changes

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. As of June 30, 2019, this Statement did not have an impact on the District's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. As of June 30, 2019, this Statement did not have an impact on the District's financial statements.

K. Upcoming Accounting and Reporting Changes

GASB Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of the Construction Period

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*

The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2020. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

NOTE 2 - CASH AND INVESTMENTS

A summary of deposits as of June 30, 2019, is as follows:

Description	Carrying Amount	Fair Value	Investment Rating
Government-Wide Statements:			
Cash in revolving fund	$ 14,500	$ 14,500	Not Rated
Cash with County	15,616,755	15,718,122	Not Rated
Total Cash and Investments	$ 15,631,255	$ 15,732,622	
Fiduciary Funds:			
Cash in banks	$ 39,126	$ 39,126	Not Rated
Total Cash and Investments	$ 39,126	$ 39,126	

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, 2019, the bank balance of the District's accounts with banks was $27,666, 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.

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

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, custodial credit risk – deposits, 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 maintains an investment with the Tehama County Investment Pool with a fair value of approximately $160.7 million and an amortized book value of $159.7 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 Aa 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, 2019:

Receivables	General Fund	Cafeteria Special Revenue Fund	Total
Federal Government	$ 401,264	$ 270,032	$ 671,296
State Government	183,032	-	183,032
Other resources	155,995	-	155,995
Totals	$ 740,291	$ 270,032	$ 1,010,323

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.

Interfund Receivables/Payables (Due From/Due To)

Interfund receivables and payables consisted of the following as of June 30, 2019:

Fund	Due From Other Funds	Due to Other Funds
General Fund	$ 327,551	$ 326,277
Cafeteria Special Revenue Fund	-	271,274
Nonmajor Funds	270,000	-
Totals	$ 597,551	$ 597,551

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2019, is shown below:

Capital Assets	Balance June 30, 2018	Additions	Adjustments & Deletions	Balance June 30, 2019
Land - not depreciable	$ 419,500	$ -	$ -	$ 419,500
Buildings and improvements	17,687,169	-	-	17,687,169
Furniture and equipment	2,867,677	54,197	-	2,921,874
Total capital assets	20,974,346	54,197	-	21,028,543
Less accumulated depreciation for:				
Buildings and improvements	9,998,242	411,937	-	10,410,179
Furniture and equipment	2,006,815	179,409	-	2,186,224
Total accumulated depreciation	12,005,057	591,346	-	12,596,403
Total capital assets - net depreciation	$ 8,969,289	$ (537,149)	$ -	$ 8,432,140

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 3,719
School site administration	441,594
Home-to-school transportation	81,570
All other general administration	8,722
Plant services	55,741
Total depreciation expense	$ 591,346

NOTE 6 – LONG-TERM LIABILITIES

Schedule of Changes in Long-term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2019:

Description	Balance July 01, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
General Obligation Bonds	$ -	$ 4,293,559	$ -	$ 4,293,559	$ -
Note Payable	210,528	-	43,642	166,886	45,307
Net Pension Liabilities	21,231,785	8,967,659	7,316,736	22,882,708	-
Net OPEB Liability	3,244,313	898,576	598,946	3,543,943	-
Compensated Absences	42,830	6,929	-	49,759	29,855
Total Long-term Laibilities	$ 24,729,456	$ 14,166,723	$ 7,959,324	$ 30,936,855	$ 75,162

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund using local revenues. Other postemployment benefits, net pension obligations and compensated absences are paid by the fund for which the employee worked.

A summary of the District's general obligation bonded debt as of June 30, 2019 is as follows:

Bond	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2018	Issued	Redeemed	Bonds Outstanding June 30, 2019
2018 GOB, Series 2019	2019	2048	2.8-3.35%	$ 4,200,000	$ -	$ 4,200,000	$ -	$ 4,200,000
Premiums Net				-	-	93,559	-	93,559
Total General Obligation Bonds				$ 4,200,000	$ -	$ 4,293,559	$ -	$ 4,293,559

The annual debt service requirements of the bonds as of June 30, 2019 are as follows:

For the Fiscal Year Ending June 30	Principal	Interest	Total
2020	$ -	$ 43,784	$ 43,784
2021	280,000	173,213	453,213
2022	255,000	162,012	417,012
2023	-	151,813	151,813
2024	-	151,812	151,812
2025-2029	60,000	758,063	818,063
2030-2034	320,000	725,062	1,045,062
2035-2039	595,000	640,463	1,235,463
2040-2044	1,035,000	499,962	1,534,962
2045-2048	1,655,000	257,938	1,912,938
Total Debt Service	$ 4,200,000	$ 3,564,122	$ 7,764,122

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
2020	$ 45,307	$ 8,821	$ 54,128
2021	47,889	6,837	54,726
2022	51,271	3,455	54,726
2023	22,420	385	22,805
Minimum Payments	$ 166,887	$ 19,498	$ 186,385

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, 2019, are summarized as follows:

	CalPERS	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age: minimum	50	52
Monthly benefits as a % of eligible compensation	(1)	(1)
Required employee contribution rates	7.000%	7.000%
Required employer contribution rates	18.062%	18.062%

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 fiscal year ending June 30, 2019, the State enacted Senate Bill No. 90 which appropriated funding to the Public Employees' Retirement Fund on behalf of the District.

For the year ended June 30, 2019, the contributions for the Plan were as follows:

	CalPERS
Employer Contributions	$ 770,120
State Contributions	277,257
Total	$ 1,047,377

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

As of June 30, 2019, 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/(Asset)
District	$ 8,177,588

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, 2018, 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, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 was as follows:

	CalPERS
Proportion - June 30, 2018	0.03083%
Proportion - June 30, 2019	0.03067%
Change - Increase/(Decrease)	-0.00016%

For the year ended June 30, 2019, the District recognized pension expense of $1,668,883 for the Plan.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Changes of Assumptions	$ 816,496	$ -
Differences between Expected and Actual Experience	536,093	-
Differences between Projected and Actual Investment Earnings	67,075	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	37,178
Change in Employer's Proportion	113,044	159,968
Pension Contributions Made Subsequent to Measurement Date	770,120	-
Total	$ 2,302,828	$ 197,146

The District reported $770,120 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, 2020.

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 June 30:	**Deferred Outflows/ (Inflows) of Resources CalPERS**
2020	$ 869,582
2021	543,616
2022	(29,369)
2023	(48,268)
Total	$ 1,335,561

Actuarial Assumptions - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

(1) Varies by age and service
(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 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan 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 employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2018 based on June 30, 2017 Valuations, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (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 the Plan. 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 geometric rates of return are net of administrative expenses.

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(b) An expected inflation of 2.0% used for this period.
(c) An expected inflation of 2.92% 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:

	CalPERS
1% Decrease	6.15%
Net Pension Liability	$ 11,906,176
Current	7.15%
Net Pension Liability	$ 8,177,588
1% Increase	8.15%
Net Pension Liability	$ 5,084,189

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, 2019, are summarized as follows:

	CalSTRS	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	10.250%	10.205%
Required employer contribution rates	16.280%	16.280%
Required State contribution rates	9.828%	9.828%

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, 2019 the contributions for the Plan were as follows:

	CalSTRS
Employer Contributions	$ 1,417,192
State Contributions	1,334,622
Total	$ 2,751,814

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

As of June 30, 2019, 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/(Asset)
District	$	14,705,120
State		8,419,416
Total	$	23,124,536

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, 2018, 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, 2017 rolled forward to June 30, 2018 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 state contributed 9.124 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year plus an additional $562,006 as required by SB90. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

	CalSTRS
Proportion - June 30, 2018	0.01500%
Proportion - June 30, 2019	0.01600%
Change - Increase/(Decrease)	0.00100%

or the year ended June 30, 2019, the District recognized pension expense of $1,733,821 for the Plan, not including the state on-behalf expense of $667,456.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalSTRS	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Changes of Assumptions	$ 2,284,480	$ -
Differences between Expected and Actual Experience	45,600	213,600
Differences between Projected and Actual Investment Earnings	-	566,240
Differences between Employer's Contributions and Proportionate Share of Contributions	23,333	10,695
Change in Employer's Proportion	677,829	545,886
Pension Contributions Made Subsequent to Measurement Date	1,417,192	-
Total	$ 4,448,434	$ 1,336,421

The District reported $1,417,434 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, 2020.

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 June 30:	**Deferred Outflows/ (Inflows) of Resources CalSTRS**
2020	$ 534,781
2021	322,621
2022	(63,299)
2023	316,190
2024	471,344
Thereafter	113,182
Total	$ 1,694,819

Actuarial Assumptions - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Wage Growth	3.50%
Postretirement Benefit Increases	(1)
Investment Rate of Return	7.10% (2)
Mortality	(3)

(1) 2% simple for DB (annually)
Maintain 85% purchasing power level for DB
Not applicable for DBS/CBB
(2) Net of investment expense but gross of administrative expenses.
(3) Based on 110% of the MP-2016 Ultimate Projection Scale table issued by the Society of Actuaries.

Discount Rate - The discount rate used to measure the total pension liability was 7.1 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 (7.1 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	Assumed Asset Allocation	Long-Term Expected Rate of Return [1]
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%
Total	100.00%	

[1] 20 year 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:

	CalSTRS
1% Decrease	6.10%
Net Pension Liability	$ 21,541,280
Current	7.10%
Net Pension Liability	$ 14,705,120
1% Increase	8.10%
Net Pension Liability	$ 9,037,280

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's Postemployment Healthcare Plan (PHP) is a single-employer defined benefit healthcare plan. The District offers medical, prescription drug, employee assistance, dental, and vision benefits. These benefits are offered as a package through California's Valued Trust (CVT). A three-tiered rate schedule applies to all retirees under the age of 65.

Benefits

Retired CSEA members may choose from CVT Blue Cross medical/drug combinations: 3A, 4B, 7B, 9A, and a high deductible health plan. Retired Certificated members may choose from CVT Blue Cross medical/drug combinations: 1A, 4B, 6B, 9A, and a high deductible health plan. Retired Administrative, Confidential, and Management employees may choose from CVT Blue Cross medical/drug combinations: 3A, 4A, 6A, 9A, and a high deductible health plan. CVT's "Wellness" and “Bronze” plans are also offered to all groups. All coverages include EAP. Dental and vision coverages are also offered for all retiree groups, but are self-paid by the retiree.

Retirees' spouses and eligible dependent children may be covered under the medical/Rx plans. Retirees pay the difference between the total premium and the District cap if they elect to cover dependents under the plan.

Eligibility provisions:

(1) The retiree must be a District employee at the time of his or her retirement.
(2) The retiree must be at least 50 years old at the time of retirement, or must have retired by reason of disability and attained the age of 50.
(3) The retiree must not have attained the age of 65.
(4) The retiree must have been employed by the District on a full-time basis for a minimum of any 10 years preceding retirement. If a part-time employee qualifies for this benefit, payment will be based on a prorated arrangement.
(5) District-paid benefits end at the earlier of age 65 or receipt of 10 years of District-paid benefits. After an employee reaches the age of 65 or has received District-paid medical benefits for 10 years, he or she may continue on the District's health plan by self-paying any required premiums. For retirements beginning with the 2012-13 fiscal year, the District contribution ends at the earlier of 5 years of benefits or age 65.

Employees Covered by Benefit Terms

At June 30, 2017 (the valuation date), the benefit terms covered the following employees:

Active employees	177
Inactive employees	20
Total employees	197

Contributions

The District makes contributions based on an actuarially determined rate and are approved by the authority of the District’s Board. Total contributions to the OPEB plan during the year were $273,609. Total benefit payments included in the measurement period were $310,481. The actuarially determined contribution for the measurement period was $463,359. The District’s contributions were 2.09% of payroll during the measurement period June 30, 2018 (reporting period June 30, 2019). Employees are not required to contribute to the plan.

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2018
Actuarial Cost Method:	Entry-Age Level Percent of Pay
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	4.28%
Inflation	3.00%
Salary Increases	3.00%
Healthcare Trend Rate	5.00%
Investment Rate of Return	6.81%, Net of OPEB plan investment expenses, including inflation
Mortality	RP-2014 Employee Mortality RP-2014 Health Annuitant Mortality
Retirement	Plan experience

Discount Rate

The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set to be equal to the long-term expected rate of return which was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage of Portfolio	Long-Term Expected Rate of Return
Broad U.S. Equity	40.00%	4.4%
U.S. Fixed	40.00%	1.5%
Real Estate	5.00%	3.7%
Commodities	5.00%	0.6%
Cash Equivalents	10.00%	0.1%
Total	100.00%	

Change in the Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018 (measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 (valuation date) for the fiscal year ended June 30, 2019 (reporting date). The following summarizes the changes in the net OPEB liability during the year ended June 30, 2019, for the measurement date of June 30, 2018:

Fiscal Year Ended June 30, 2019 (Measurement Date June 30, 2018)	**Total OPEB Liability**	**Plan Fiduciary Net Position**	**Net OPEB Liability (Asset)**
Balance at June 30,2018	$ 3,622,872	$ 378,559	$ 3,244,313
Service cost	301,850	-	301,850
Interest in Total OPEB Liability	173,476	-	173,476
Employer contributions	-	310,481	(310,481)
Balance of changes in assumptions	159,578	-	159,578
Actual investment income	-	24,793	(24,793)
Benefit payments	(310,481)	(310,481)	-
Net changes	324,423	24,793	299,630
Balance at June 30, 2019	$ 3,947,295	$ 403,352	$ 3,543,943

Covered Employee Payroll	$ 13,075,537
Total OPEB Liability as a % of Covered Employee Payroll	30.19%
Plan Fid. Net Position as a % of Total OPEB Liability	10.22%
Service Cost as a % of Covered Employee Payroll	2.31%
Net OPEB Liability as a % of Covered Employee Payroll	27.10%

Deferred Inflows and Outflows of Resources

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ -	$ -
Difference between actual and expected earnings	-	14,856
Change in assumptions	136,781	-
OPEB contribution subsequent to measurement date	273,609	-
Totals	$ 410,390	$ 14,856

Of the total amount reported as deferred outflows of resources related to OPEB, $273,609 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows/inflows of resources will be recognized in OPEB expenses as follows:

Year Ended June 30,	
2020	$ 18,236
2021	18,236
2022	18,236
2023	21,622
2024	22,797
Thereafter	22,798
Total	$ 121,925

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2019, for the measurement date of June 30, 2018:

Service cost	$ 301,850
Interest in TOL	173,476
Expected investment income	(18,928)
Difference between actual and expected earnings	(4,561)
Change in assumptions	22,797
OPEB Expense	**$ 474,634**

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2019, for the measurement date of June 30, 2018:

Net OPEB liability ending	$ 3,543,943
Net OPEB liability begining	(3,244,313)
Change in net OPEB liability	299,630
Changes in deferred outflows	1,304
Employer contributions and implict subsidy	310,481
OPEB Expense	**$ 611,415**

Sensitivity to Changes in the Discount Rate

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Discount Rate		
	(1% Decrease)	**4.28%**	**(1% Increase)**
Net OPEB Liability (Asset)	$ 3,778,407	$ 3,543,943	$ 3,324,398

Sensitivity to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	**5.00%**	**(1% Increase)**
Net OPEB Liability (Asset)	$ 3,203,612	$ 3,543,943	$ 3,932,337

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, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
LCFF sources:	$ 19,629,688	$ 20,199,797	$ 19,907,497	$ (292,300)
Federal revenues	1,461,011	1,607,454	1,637,850	30,396
Other state	1,037,698	2,659,711	2,651,608	(8,103)
Other local	754,218	771,018	979,949	208,931
Total revenues	22,882,615	25,237,980	25,176,904	(61,076)
Expenditures:				
Certificated salaries	8,932,703	9,372,600	9,372,597	3
Classified salaries	3,464,753	3,622,017	3,613,015	9,002
Employee benefits	6,387,124	7,368,198	7,368,199	(1)
Books and supplies	1,773,014	1,767,187	855,491	911,696
Services and other operating expenditures	3,073,576	3,058,099	2,267,898	790,201
Capital outlay	273,049	651,958	100,573	551,385
Other outgo	262,883	358,999	276,006	82,993
Total expenditures	24,167,102	26,199,058	23,853,779	2,345,279
Change in fund balance	$ (1,284,487)	$ (961,078)	1,323,125	$ 2,284,203
Fund balances beginning			8,320,007	
Fund balance ending			$ 9,643,132	

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

Red Bluff Union Elementary School District

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
Cafeteria Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
Federal revenues	$ 1,012,000	$ 1,012,000	$ 1,018,434	$ 6,434
Other state	83,000	93,245	98,492	5,247
Other local	128,400	148,052	121,581	(26,471)
Total revenues	1,223,400	1,253,297	1,238,507	(14,790)
Expenditures:				
Classified salaries	397,198	462,323	462,323	-
Employee benefits	211,198	252,261	271,387	(19,126)
Books and supplies	565,706	563,207	563,207	-
Services and other operating expenditures	43,932	35,832	23,565	12,267
Capital outlay	20,000	6,447	-	6,447
Other outgo	60,000	60,000	-	60,000
Total expenditures	1,298,034	1,380,070	1,320,482	59,588
Change in fund balance	$ (74,634)	$ (126,773)	(81,975)	$ 44,798
Fund balances beginning			158,894	
Fund balance ending			$ 76,919	

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

Red Bluff Union Elementary School District

Schedule of CALPERS Pension Plan Contributions
For the Fiscal Year Ended June 30, 2019

CalPERS	2015	2016	2017	2018	2019
Contractually Required Contributions	$ 381,252	$ 461,840	$ 545,945	$ 589,566	$ 770,120
Contributions in Relation to Contractually Required Contributions	381,252	461,840	545,945	589,566	770,120
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	**$ 3,238,909**	**$ 3,898,371**	**$ 3,931,056**	**$ 3,796,059**	**$ 4,263,758**
Contributions as a % of Covered Payroll	**11.77%**	**11.85%**	**13.89%**	**15.53%**	**18.06%**

Notes to Schedule:

Valuation Date: June 30, 2017

Assumptions Used:
- Entry Age Method used for Actuarial Cost Method
- Level Percentage of Payroll and Direct Rate Smoothing
- 4 Years Remaining Amortization Period
- Inflation Assumed at 2.5%
- Investment Rate of Returns set at 7.15%
- CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.15% in the District's fiscal year 2018.
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.
The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

This schedule provides information about the District's required and actual contributions to CalPERS during the year.

Red Bluff Union Elementary School District

Schedule of CALPERS Proportionate Share of Net Pension Lability For the Fiscal Year Ended June 30, 2019

CalPERS	**2015**	**2016**	**2017**	**2018**	**2019**
District's Proportion of Net Pension Liability	0.02750%	0.02791%	0.02908%	0.03083%	0.03067%
District's Proportionate Share of Net Pension Liability	$ 3,121,920	$ 4,114,506	$ 5,742,744	$ 7,359,935	$ 8,177,588
District's Covered Payroll	$ 2,886,777	$ 3,238,909	$ 3,898,371	$ 3,931,056	$ 3,796,059
District's Proportionate Share of NPL as a % of Covered Payroll	**108.15%**	**127.03%**	**147.31%**	**187.23%**	**215.42%**
Plan's Fiduciary Net Position as a % of the TPL	**83.38%**	**79.43%**	**73.90%**	**71.87%**	**70.85%**

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.15% in the District's fiscal year 2018.
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.
The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

This schedule presents information on the District’s portion of the net pension liability of CalPERS in compliance with GASB 68.

Red Bluff Union Elementary School District
Schedule of CALSTRS Pension Plan Contributions
For the Fiscal Year Ended June 30, 2019

CalSTRS	**2015**	**2016**	**2017**	**2018**	**2019**
Contractually Required Contributions	$ 660,219	$ 834,243	$ 1,007,586	$ 1,243,392	$ 1,417,192
Contributions in Relation to Contractually Required Contributions	660,219	834,243	1,007,586	1,243,392	1,417,192
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	**$ 7,434,899**	**$ 7,774,865**	**$ 8,009,428**	**$ 8,616,715**	**$ 8,705,111**
Contributions as a % of Covered Payroll	**8.88%**	**10.73%**	**12.58%**	**14.43%**	**16.28%**

Notes to Schedule:

Valuation Date: June 30, 2017

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll Basis
7 Years Remaining Amortization Period
Inflation Assumed at 2.75%
Investment Rate of Returns set at 7.10%
Mortality tables are based on 110% of the MP-2016 Ultimate Projection Scale table issued by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.
The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule provides information about the District’s required and actual contributions to CalSTRS during the year.

Red Bluff Union Elementary School District

Schedule of CALSTRS Proportionate Share
of Net Pension Lability
For the Fiscal Year Ended June 30, 2019

CalSTRS	2015	2016	2017	2018	2019
District's Proportion of Net Pension Liability	0.01600%	0.01394%	0.01429%	0.01500%	0.01600%
District's Proportionate Share of Net Pension Liability	$ 9,349,920	$ 9,387,417	$ 11,556,537	$ 13,871,850	$ 14,705,120
State's Proportionate Share of Net Pension Liability					
Associated with the District	5,645,856	4,964,911	6,578,905	8,206,448	8,419,416
Total	$ 14,995,776	$ 14,352,328	$ 18,135,442	$ 22,078,298	$ 23,124,536
District's Covered Payroll	$ 6,943,297	$ 7,434,899	$ 7,774,865	$ 8,009,428	$ 8,616,715
District's Proportionate Share of NPL as a % of Covered Payroll	**134.66%**	**126.26%**	**148.64%**	**173.19%**	**170.66%**
Plan's Fiduciary Net Position as a % of the TPL	**76.52%**	**74.02%**	**70.04%**	**69.46%**	**70.99%**

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.
The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule presents information on the District's portion of the net pension liability of CalSTRS in compliance with GASB 68.

Red Bluff Union Elementary School District
Schedule of OPEB Contributions
For the Fiscal Year Ended June 30, 2019

Fiscal Year Ended	**2018**	**2019**
Actuarially determined contribution (ADC)	$ 449,863	$ 463,359
Less: actual contribution in relation to ADC	(286,898)	(273,609)
Contribution deficiency (excess)	$ 162,965	$ 189,750
Covered employee payroll	$ 12,541,629	$ 13,075,537
Contrib. as a % of covered employee payroll	2.29%	2.09%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2018
Actuarial Cost Method:	Entry-Age Normal Cost
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	4.28%
Inflation	3.00%
Salary Increases	3.00%
Healthcare Trend Rate	5.00%
Investment Rate of Return	6.81%, Net of OPEB plan investment expenses, including inflation
Mortality	RP-2014 Employee Mortality RP-2014 Health Annuitant Mortality
Retirement	Plan experience

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were not changes in benefit terms.

There were no changes in discount rates, trend rates or assumptions.

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Red Bluff Union Elementary School District

Schedule of Changes in Net OPEB Liability
For the Fiscal Year Ended June 30, 2019

Fiscal Year Ended	2018	2019
Total OPEB liability		
Service cost	$ 293,059	$ 301,850
Interest	167,335	173,476
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	159,578
Benefit payments	(364,014)	(310,481)
Implicit subsidy fullfilled	-	-
Net change in Total OPEB Liability	96,380	324,423
Total OPEB Liability - beginning	3,526,492	3,622,872
Total OPEB Liability - ending	$ 3,622,872	$ 3,947,295
Plan fiduciary net position		
Employer contributions	$ 364,014	$ 310,481
Employer implict subsidy	-	-
Employee contributions	-	-
Net investment income	34,316	24,793
Difference between estimated and actual earnings	-	-
Benefit payments	(364,014)	(310,481)
Implicit subsidy fullfilled	-	-
Other	-	-
Administrative expense	(156)	-
Net change in plan fiduciary net position	34,160	24,793
Plan fiduciary net position - beginning	344,399	378,559
Plan fiduciary net position - ending	$ 378,559	$ 403,352
Net OPEB liability (asset)	$ 3,244,313	3,543,943
Plan fiduciary net position as a percentage of the total OPEB liability	10.45%	10.22%
Covered Employee Payroll	$ 12,176,339	$ 12,541,629
Net OPEB liability as a percentage of covered employee payroll	26.64%	28.26%
Total OPEB liability as a percentage of covered employee payroll	29.75%	31.47%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were no changes in benefit terms.

There were no changes in discount rates, trend rates or assumptions.

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SUPPLEMENTARY INFORMATION

Red Bluff Union Elementary School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Nonmajor Governmental Funds
Assets				
Cash and investments	$ 563,078	$ 119,473	$ -	$ 682,551
Due from other funds	270,000	-	93,559	363,559
Total Assets	$ 833,078	$ 119,473	$ 93,559	$ 1,046,110
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 343.00	$ -	$ -	$ 343
Total Liabilities	343	-	-	343
Fund Balances:				
Restricted for capital projects	-	119,473	-	119,473
Restricted for debt service	-	-	93,559	93,559
Assigned for site repairs	832,735	-	-	832,735
Total Fund Balances	832,735	119,473	93,559	1,045,767
Total Liabilities and Fund Balances	$ 833,078	$ 119,473	$ 93,559	$ 1,046,110

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, 2019

	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Nonmajor Governmental Funds
Revenues:				
LCFF Sources	$ 270,000	$ -	$ -	$ 270,000
Other local	11,961	83,372	-	95,333
Total revenues	281,961	83,372	-	365,333
Expenditures:				
Plant services	166,889	1,630	-	168,519
Debt service:				
Principal	-	48,455	-	48,455
Interest and fees	-	9,994	-	9,994
Total expenditures	166,889	60,079	-	226,968
Excess (deficiency) of revenues over (under) expenditures	115,072	23,293	-	138,365
Other financing sources (uses):				
Premium from bond issuance	-	-	93,559	93,559
Total other financing sources (uses)	-	-	93,559	93,559
Change in fund balances	115,072	23,293	93,559	231,924
Fund balances beginning	717,663	96,180	-	813,843
Fund balances ending	$ 832,735	$ 119,473	$ 93,559	$ 1,045,767

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COMPLIANCE SECTION

Red Bluff Union Elementary School District
Organization (Unaudited)
For the Fiscal Year Ended June 30, 2019

The District serves approximately 1,955 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, 2019.

Governing Board

Name	Office	Term Expires
Steve Piffero	President	2022
Sharon Barrett	Clerk	2022
Heidi Ackley	Member	2020
Douglas Schreter	Member	2020
Adrianna Griffin	Member	2020

Administration

Cliff Curry
Superintendent

Claudia Salvestrin
Assistant Superintendent

Angie Pacheco
Chief Business Official

Red Bluff Union Elementary School District
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2019

	Second Period Report	Annual Report
Regular ADA:		
Grades TK/K through three	923.83	933.84
Grades four through six	631.73	634.77
Grades seven and eight	393.45	394.87
Regular ADA Totals	1,949.01	1,963.48
Extended year special education:		
Grades TK/K through three	0.06	0.06
Grades four through six	0.34	0.34
ADA Totals	1,949.41	1,963.88

Red Bluff Union Elementary School District

Schedule of Instructional Time Offered

For the Fiscal Year Ended June 30, 2019

Grade Level	Minutes Requirements	2019 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	56,100	180	0	In Compliance
Grade 1	50,400	53,400	180	0	In Compliance
Grade 2	50,400	53,400	180	0	In Compliance
Grade 3	50,400	54,120	180	0	In Compliance
Grade 4	54,000	54,120	180	0	In Compliance
Grade 5	54,000	54,120	180	0	In Compliance
Grade 6	54,000	54,300	180	0	In Compliance
Grade 7	54,000	54,300	180	0	In Compliance
Grade 8	54,000	54,300	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 met its target funding.

Red Bluff Union Elementary School District
Schedule of Charter Schools (Unaudited)
For the Fiscal Year Ended June 30, 2019

The purpose of this schedule is to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. There were no charter schools to be reported.

Red Bluff Union Elementary School District
Schedule of Financial Trends and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

	(Budget [1]) 2020	2019	2018	2017
General Fund				
Revenues and other financial sources	$ 24,078,153	$ 25,176,904	$ 23,229,578	$ 23,415,959
Expenditures	25,200,333	23,853,779	23,021,367	21,864,640
Total outgo	25,200,333	23,853,779	23,021,367	21,864,640
Change in fund balance	$ (1,122,180)	$ 1,323,125	$ 208,211	$ 1,551,319
Ending fund balance	$ 8,520,952	$ 9,643,132	$ 8,320,007	$ 8,111,796
Available reserves [(2)]	$ 2,209,067	$ 5,183,876	$ 3,813,974	$ 1,836,693
Reserve for economic uncertainties	$ 2,209,067	$ 4,500,000	$ 725,000	$ 718,000
Unassigned fund balance	$ -	$ 683,876	$ 3,088,974	$ 1,118,693
Available reserves as a percentage of total outgo	8.8%	21.7%	16.6%	8.4%
Total long-term debt	$ 30,861,693	$ 30,936,855	$ 24,729,456	$ 19,821,681
Average daily attendance (ADA) at P-2	1,965	1,949	1,937	1,963

ADA has decreased by 14 over the past three years. The District anticipates an increase of 16 in ADA next year.

The General Fund balance has increased by $1,531,336 in 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 2018-19 budget projects a $1,122,180 decrease in fund balance.

The District has had an operating surplus in each of the past three years. Total long-term debt has decreased by $11,115,174 over the past three years.

[1] Budget numbers are based on the first adopted budget of the fiscal year 2019/20.

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, 2019

PROGRAM NAME	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through Tehama County Office of Education:			
Forest Reserve	10.665	10044	$ 40,379
Passed through California Department of Education:			
Child Nutrition Cluster			
Child Nutrition: School Programs (NSL Sec 11)	10.555 (1)	13524	1,018,434
Total Child Nutrition Cluster			1,018,434
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,058,813
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Special Education Cluster			
IDEA Local Assistance, Basic Local Assistance	84.027	13379	255,255
Total Special Education Cluster			255,255
ESEA (ESSA): Title V, Part B, Rural & Low Income School Program (aka REAP)	84.358	14356	113,577
Title II, Improving Teacher Quality	84.367	14341	120,911
ESEA (ESSA): Title III, Immigrant Education Program	84.365	15146	152
NCLB (ESEA) : Title III, Limited English Proficient (LEP) Student Program	84.365	14346	8,518
			45,386
Title I, Basic Grants Low Income and Neglected	84.010	14329	922,583
TOTAL U. S. DEPARTMENT OF EDUCATION			1,466,382
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education:			
Medicaid Nutrition Cluster			
Medi-Cal Billing Option	93.778	10013	84,855
Medi-Cal Administrative Activities	93.778	10060	46,234
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			131,089
TOTAL FEDERAL PROGRAMS			$ 2,656,284

(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, 2019

	General Fund	Building Fund	Other Nonmajor Governmental Funds
June 30, 2019 Annual Financial and Budget Report Fund Balances	$ 8,925,289	$ 4,304,082	$ 1,670,051
Adjustments and Reclassifications:			
Bond Premium Reclassification	-	(93,559)	93,559
Special Reserve Fund for Other Postemployment Benefits	717,843	-	(717,843)
June 30, 2019 Audited Financial Statements Fund Balances	$ 9,643,132	$ 4,210,523	$ 1,045,767

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 Charter Schools

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

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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

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, 2019, 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 16, 2019.

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 district'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

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material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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 16, 2019
San Jose, California

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CHAVAN & ASSOCIATES, LLP
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE)

To the Board of Trustees
of the 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)'s 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, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative 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, 2019.

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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 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 16, 2019
San Jose, California

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CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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)'s compliance with the types of compliance requirements described in the *2018-19 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, 2019.

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, *2018-19 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 *2018-19 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

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Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
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
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
School Districts, County Offices of Education, and Charter Schools:	
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
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

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, 2019.

C & A LLP

December 16, 2019
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, 2019

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_ None Reported
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_ None Reported
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 (NSL Sec 11)

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

Finding 2018-001; 30000 – Grant Reimbursements – General Process

***Criteria or Specific Requirements**:* Best practices dictate that the District have processes in place to ensure that grant reimbursements are filed timely and available grant funding is utilized to its fullest extent.

***Condition**:* In review of the supporting documentation for School Nutrition Program (SNP) Claim for Reimbursement, we noted the following:

- The claim for December 2017 was submitted past the 60-day requirement so the District did not receive reimbursement for this federal claim of $83,072.

Questioned Costs: None.

Context: The District should maintain controls to prevent noncompliance with Uniform Guidance or detect and correct noncompliance with Uniform Guidance in a timely manner.

Effect: The District was unable to receive the $83,072 grant reimbursement.

Cause: The District did not have sufficient monitoring controls in place to allow the District to detect and correct this issue in a timely manner.

Recommendation: We recommend that the District establish procedures to ensure requirements are met with regard to SNP claims for reimbursement. For example, a secondary review of the due dates for claims reimbursements and a periodic review of claims to ensure they are submitted timely.

Corrective Action Plan: The District was aware of the issue and agrees with the recommendation.

Status: Implemented

Section III – Federal Award Findings and Questioned Costs

No findings noted.

Section IV – State Award Findings and Questioned Costs

No findings noted.