

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

AUDIT REPORT

JUNE 30, 2020



Chavan & Associates, LLP
Certified Public Accountants
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San Jose, CA 95129

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**Red Bluff Union Elementary School District
Tehama County**

Table of Contents

TITLE	PAGE
FINANCIAL SECTION:	
Independent Auditor's Report.....	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities.....	16
Fund Financial Statements:	
Governmental Funds – Balance Sheet	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	19
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Fiduciary Funds – Statement of Fiduciary Net Position	21
Notes to the Basic Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP) General Fund.....	55
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP) Cafeteria Special Revenue Fund	56
Schedule of CalPERS Pension Plan Contributions.....	57
Schedule of CalPERS Proportionate Share of Net Pension Liabilities.....	58
Schedule of CalSTRS Pension Plan Contributions.....	59
Schedule of CalSTRS Proportionate Share of Net Pension Liabilities.....	60
Schedule of OPEB Contributions	61
Schedule of Changes in Net OPEB Liability	62
SUPPLEMENTARY INFORMATION:	
Combining Statements – Nonmajor Funds:	
Nonmajor Governmental – Funds Combining Balance Sheet	65
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	66
Compliance Section:	
Organization (Unaudited).....	69
Schedule of Average Daily Attendance	70
Schedule of Instructional Time Offered	71
Schedule of Charter Schools	72

**Red Bluff Union Elementary School District
Tehama County**

Table of Contents

Schedule of Financial Trends and Analysis (Unaudited)	73
Schedule of Expenditures Federal Awards.....	74
Reconciliation of the Annual Financial Budget Report to the Audited Financial Statements	75
Notes to Compliance Sections.....	76

OTHER INDEPENDENT AUDITOR'S REPORTS:

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	79
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Title 2 CFR Part 200 (Uniform Guidance)	81
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on State Programs	83

FINDINGS AND RECOMMENDATIONS:

Schedule of Findings and Questioned Costs.....	88
Status of Prior Year Findings and Recommendations	90

FINANCIAL SECTION



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, 2020, 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.



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, 2020, 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, 2020, 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

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 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 2019-20 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



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Certified Public Accountants

(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 March 5, 2021 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

March 5, 2021
San Jose, California

Management's Discussion and Analysis

Red Bluff Union Elementary School District

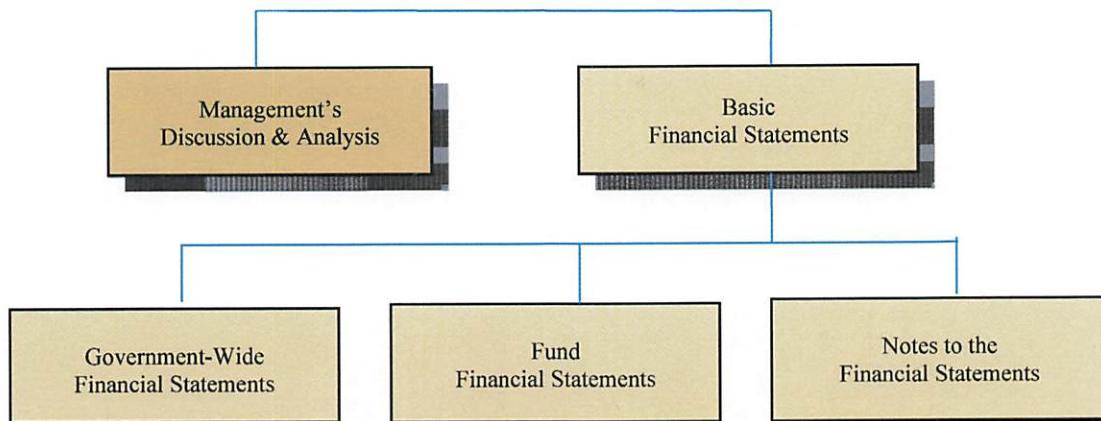
Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

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, 2020. 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, 2020 were as follows:

- Total net position decreased by \$649,596, or 26%, from June 30, 2019 to June 30, 2020.
- General revenues accounted for \$22,995,914 which is 83% of all revenues. Program specific revenues in the form of operating grants and contributions, and charges for services accounted for \$4,705,323, or 17%, of total revenues of \$27,701,237.
- The District had \$28,350,833 in expenses, which was directly supported by program specific revenues of \$4,705,323.
- Total fund balances of governmental funds increased by \$1,169,406, or 7.8%, from June 30, 2019 to June 30, 2020.
- Among major funds, the General Fund had \$25,571,893 in revenues and \$25,003,758 in expenditures. The General Fund's fund balance increased by \$368,135 from June 30, 2019 to June 30, 2020.

Red Bluff Union Elementary School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

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 2019 - 2020?" 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

Red Bluff Union Elementary School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

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 include the General Fund, the Cafeteria Fund and the Building 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.

Red Bluff Union Elementary School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

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, 2020 as compared to June 30, 2019:

Table 1 - Summary of Statement of Net Position				
	2020	2019	Change	Percentage Change
Assets				
Current Assets	\$ 19,165,089	\$ 16,740,115	\$ 2,424,974	14.5%
Capital Assets	7,888,624	8,432,140	(543,516)	-6.4%
Total Assets	\$ 27,053,713	\$ 25,172,255	\$ 1,881,458	7.5%
Deferred Outflows of Resources	\$ 6,660,461	\$ 7,161,651	\$ (501,190)	-7.0%
Liabilities				
Current Liabilities	\$ 3,019,342	\$ 1,763,774	\$ 1,255,568	71.2%
Noncurrent Liabilities	30,818,926	30,936,855	(117,929)	-0.4%
Total Liabilities	\$ 33,838,268	\$ 32,700,629	\$ 1,137,639	3.5%
Deferred Inflows of Resources	\$ 2,440,648	\$ 1,548,423	\$ 892,225	57.6%
Net Position				
Net Investment in Capital Assets	\$ 7,767,045	\$ 8,265,254	\$ (498,209)	-6.0%
Restricted	1,383,144	1,567,650	(184,506)	-11.8%
Unrestricted	(11,714,931)	(11,748,050)	33,119	0.3%
Total Net Position	\$ (2,564,742)	\$ (1,915,146)	\$ (649,596)	33.9%

During the year, deferred outflows of resources decreased by 7% and deferred inflows of resources increased by 57.6% mostly because of changes in the pension and OPEB amounts and actuarial assumptions related to GASB 68 and GASB 75, respectively. GASB 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-wide financial statements.

The decrease in noncurrent liabilities were mainly due to the changes in the net OPEB liability . The decrease in capital assets is mainly the result of fixed assets depreciation.

Red Bluff Union Elementary School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

Table 2 shows the changes in net position for fiscal year 2020 as compared to 2019.

Table 2 - Summary of Changes in Statement of Activities				
	2020	2019	Change	Percentage Change
Revenues				
Program revenues	\$ 4,705,323	\$ 5,378,974	\$ (673,651)	-12.5%
General revenues:				
Property taxes	4,562,848	3,849,382	713,466	18.5%
Grants and entitlements - unrestricted	17,780,987	17,166,527	614,460	3.6%
Other	652,079	400,404	251,675	62.9%
Total Revenues	27,701,237	26,795,287	905,950	3.4%
Program Expenses				
Instruction	16,223,542	16,361,933	(138,391)	-0.8%
Instruction-related services	3,092,592	3,027,033	65,559	2.2%
Pupil services	3,180,490	3,371,606	(191,116)	-5.7%
General administration	2,001,700	2,096,112	(94,412)	-4.5%
Plant services	2,976,742	2,518,108	458,634	18.2%
Ancillary services	42,648	45,630	(2,982)	-6.5%
Other outgo	696,536	276,003	420,533	152.4%
Interest on long-term debt	136,583	14,807	121,776	822.4%
Total Expenses	28,350,833	27,711,232	639,601	2.3%
Change in Net Position	(649,596)	(915,945)	266,349	-29.1%
Beginning Net Position	(1,915,146)	(999,201)	(915,945)	91.7%
Ending Net Position	\$ (2,564,742)	\$ (1,915,146)	\$ (649,596)	-33.9%

The District's expenses for instructional services was 68% of total expenses in fiscal year 2020 as compared to 70% in fiscal year 2019. The District's expenses for plant services was 11% of total expenses in fiscal year 2020 as compared to 12% in fiscal year 2019. The District's expenses for interest on long-term debt was 0.48% of total expenses in fiscal year 2020 as compared to 0.05% in fiscal year 2019. Total expenses were 102% of revenue in fiscal year 2020 as compared to 103% in fiscal year 2019.

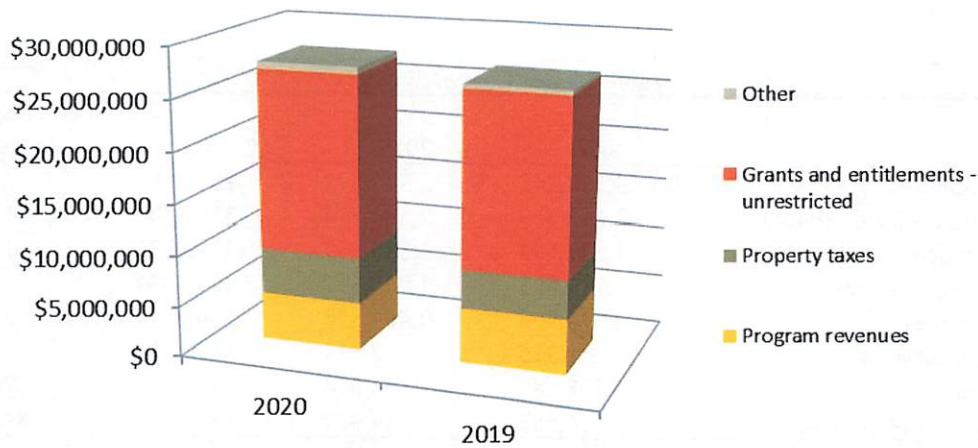
Red Bluff Union Elementary School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

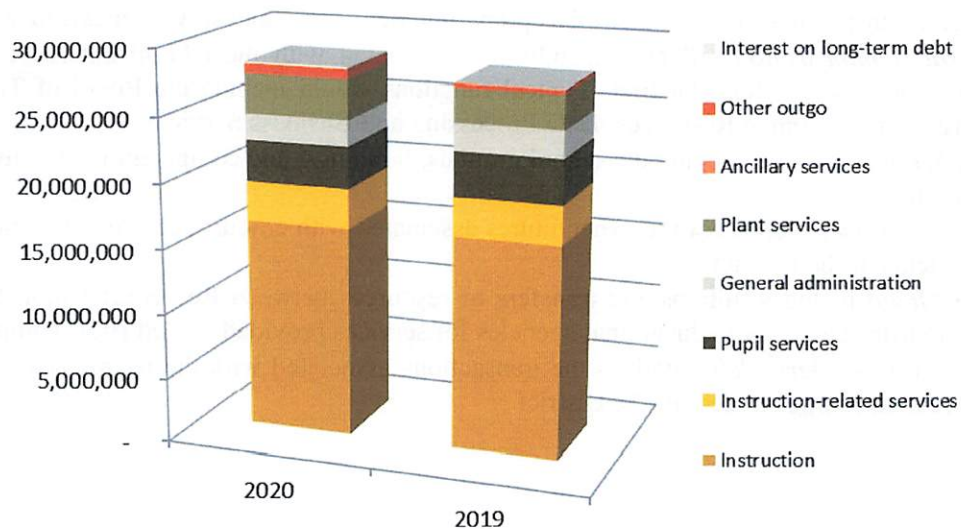
The following is a summary of government wide revenues for the fiscal year ended June 30, 2020:

Revenues



The following is a summary of expenses by function for the fiscal year ended June 30, 2020:

Program Expenses



Red Bluff Union Elementary School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

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				
	2020	2019	Change	Percentage Change
Instruction	\$ 13,558,242	\$ 13,372,892	\$ 185,350	1.4%
Instruction-related services	2,863,859	2,524,275	339,584	13.5%
Pupil services	1,571,974	1,810,657	(238,683)	-13.2%
General administration	1,919,963	1,949,357	(29,394)	-1.5%
Plant services	2,974,994	2,464,323	510,671	20.7%
Ancillary services	41,315	42,113	(798)	-1.9%
Other outgo	578,580	153,834	424,746	276.1%
Interest on long-term debt	136,583	14,807	121,776	822.4%
Total Net Cost of Services	\$ 23,645,510	\$ 22,332,258	\$ 1,313,252	5.9%

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.

Red Bluff Union Elementary School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

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				
	2020	2019	Change	Percentage Change
General	\$ 10,011,267	\$ 9,643,132	\$ 368,135	3.8%
Cafeteria Fund	194,081	76,919	117,162	152.3%
Deferred Maintenance Fund	898,346	832,735	65,611	7.9%
Building Fund	4,200,270	4,210,523	(10,253)	-0.2%
Capital Facilities Fund	138,586	119,473	19,113	16.0%
Bond Interest and Redemption Fund	502,527	93,559	408,968	437.1%
Pupil Transportation Fund	200,670	-	200,670	100.0%
Total Fund Balances	\$ 16,145,747	\$ 14,976,341	\$ 1,169,406	7.8%

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 2019-2020 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 \$487,865 from the original to final budget.

For the General Fund, the final budget basis revenue and other financing sources estimate was \$25,688,198. The original budgeted estimate was \$25,200,333.

CAPITAL ASSETS

Table 5 shows June 30, 2020 capital asset balances as compared to June 30, 2019.

Table 5 - Summary of Capital Assets Net of Depreciation				
	2020	2019	Change	Percentage Change
Land	\$ 419,500	\$ 419,500	\$ -	0.0%
Buildings and Improvements	6,867,456	7,276,990	(409,534)	-5.6%
Equipment	601,668	735,650	(133,982)	-18.2%
Total Capital Assets - Net	\$ 7,888,624	\$ 8,432,140	\$ (543,516)	-6.4%

Red Bluff Union Elementary School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

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				
	2020	2019	Change	Percentage Change
General Obligation Bond	\$ 4,452,333	\$ 4,293,559	\$ 158,774	0.00%
Note Payable	121,579	166,886	(45,307)	-27.1%
Net Pension Liabilities	23,415,332	22,882,708	532,624	2.3%
Net OPEB Liability	2,768,912	3,543,943	(775,031)	-21.9%
Compensated Absences	60,770	49,759	11,011	22.1%
Total Long-term Liabilities	\$ 30,818,926	\$ 30,936,855	\$ (117,929)	-0.4%

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 16.15% for STRS and 20.70% for PERS. Contributions in year 21/22 are to be around 15.92% for STRS and 23.00% for PERS. 22/23 year are to be 18.00% for STRS and 26.30% 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, 2020

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 15,275,492
Accounts receivable	3,717,231
Prepaid expenses	56,078
Stores inventories	116,288
Total current assets	<u>19,165,089</u>
Noncurrent assets:	
Non-depreciable capital assets	419,500
Capital assets, net of depreciation	7,469,124
Total capital assets - net	<u>7,888,624</u>
Total Assets	<u><u>\$ 27,053,713</u></u>
 Deferred Outflows of Resources	
OPEB adjustments	\$ 725,474
Pension adjustments	5,934,987
Total Deferred Outflows of Resources	<u><u>\$ 6,660,461</u></u>
 Liabilities	
Current liabilities:	
Accounts payable	\$ 2,989,434
Unearned revenue	29,908
Total current liabilities	<u>3,019,342</u>
Noncurrent liabilities:	
Due within one year	358,274
Due after one year	30,460,652
Total noncurrent liabilities	<u>30,818,926</u>
Total Liabilities	<u><u>\$ 33,838,268</u></u>
 Deferred Inflows of Resources	
OPEB adjustments	\$ 544,860
Pension adjustments	1,895,788
Total Deferred Inflows of Resources	<u><u>\$ 2,440,648</u></u>
 Net Position	
Net Investment in Capital Assets	\$ 7,767,315
Restricted for:	
Educational programs	737,202
Debt service	250,194
Cafeteria programs	70,293
Capital projects	138,586
Other purposes (nonexpendable)	186,869
Total restricted	<u>1,383,144</u>
Unrestricted	(11,715,201)
Total Net Position	<u><u>\$ (2,564,742)</u></u>

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, 2020

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services	Grants and	Changes in
			Contributions	Net Position
Governmental activities:				
Instruction	\$ 16,223,542	\$ 36,867	\$ 2,628,433	\$ (13,558,242)
Instruction-related services:				
Supervision of instruction	66	-	17	(49)
Instruction library, media and technology	578,332	-	63,217	(515,115)
School site administration	2,514,194	279	165,220	(2,348,695)
Pupil services:				
Home-to-school transportation	517,680	-	-	(517,680)
Food services	1,296,287	87,776	1,270,249	61,738
All other pupil services	1,366,523	-	250,491	(1,116,032)
General administration:				
All other general administration	2,001,700	-	81,737	(1,919,963)
Plant services	2,976,742	928	820	(2,974,994)
Ancillary services	42,648	-	1,333	(41,315)
Other outgo	696,536	34,835	83,121	(578,580)
Interest on long-term debt	136,583	-	-	(136,583)
Total governmental activities	<u>\$ 28,350,833</u>	<u>\$ 160,685</u>	<u>\$ 4,544,638</u>	<u>(23,645,510)</u>
General revenues and special items:				
Taxes and subventions:				
Taxes levied for general purposes				4,026,484
Taxes levied for debt service				536,364
Federal and state aid not restricted to specific purposes				17,780,987
Interest and investment earnings				319,406
Interagency revenue				208,464
Miscellaneous				124,209
Total general revenues and special items				<u>22,995,914</u>
Change in net position				(649,596)
Net position beginning				<u>(1,915,146)</u>
Net position ending				<u>\$ (2,564,742)</u>

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, 2020

	General Fund	Cafeteria Special Revenue Fund	Building Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 9,348,707	\$ 7,554	\$ 4,293,829	\$ 1,625,402	\$ 15,275,492
Accounts receivable	3,448,984	247,079	-	21,168	3,717,231
Due from other funds	144,529	-	-	93,559	238,088
Prepaid expenditures	56,078	-	-	-	56,078
Stores inventories	-	116,288	-	-	116,288
Total Assets	\$ 12,998,298	\$ 370,921	\$ 4,293,829	\$ 1,740,129	\$ 19,403,177
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,957,123	\$ 32,311	\$ -	\$ -	\$ 2,989,434
Due to other funds	-	144,529	93,559	-	238,088
Unearned revenue	29,908	-	-	-	29,908
Total Liabilities	2,987,031	176,840	93,559	-	3,257,430
Fund balances:					
Nonspendable:					
Revolving fund	7,000	7,500	-	-	14,500
Stores inventories	-	116,288	-	-	116,288
Prepaid expenditures	56,081	-	-	-	56,081
Restricted for:					
Educational programs	737,202	-	-	-	737,202
Debt service	-	-	-	502,527	502,527
Cafeteria programs	-	70,293	-	-	70,293
Capital projects	-	-	4,200,270	138,586	4,338,856
Assigned for:					
Transportation	-	-	-	200,670	200,670
Postemployment Benefits	733,006	-	-	-	733,006
Educational programs	6,389,994	-	-	-	6,389,994
Site repairs	-	-	-	898,346	898,346
Unassigned:					
Economic uncertainties	1,500,000	-	-	-	1,500,000
Unappropriated	587,984	-	-	-	587,984
Total Fund Balances	10,011,267	194,081	4,200,270	1,740,129	16,145,747
Total Liabilities and Fund Balances	\$ 12,998,298	\$ 370,921	\$ 4,293,829	\$ 1,740,129	\$ 19,403,177

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, 2020

Total fund balances - governmental funds	\$ 16,145,747
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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	\$ 21,069,903	
Accumulated depreciation	<u>(13,181,279)</u>	7,888,624

Differences from benefit plan assumptions, investment returns, contributions, experience and proportionate shares are reported as deferred inflows and outflows of resources in the government wide statements. However, only items requiring the use of current resources are reported in the fund statements.

4,219,813

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	\$ 4,452,333	
Note payable	121,579	
Net pension Liabilities	23,415,332	
Net OPEB liability	2,768,912	
Compensated absences	<u>60,770</u>	<u>(30,818,926)</u>

Total net position - governmental activities	<u>\$ (2,564,742)</u>
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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, 2020

	General Fund	Cafeteria Special Revenue Fund	Building Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	\$ 20,887,625	\$ -	\$ -	\$ 50,000	\$ 20,937,625
Federal revenue	1,418,135	1,183,017	-	-	2,601,152
Other state	2,079,131	89,335	-	8,282	2,176,748
Other local	1,187,002	85,673	90,382	622,655	1,985,712
Total revenues	25,571,893	1,358,025	90,382	680,937	27,701,237
Expenditures:					
Current:					
Instruction	15,515,831	-	-	-	15,515,831
Instruction-related services:					
Supervision of instruction	63	-	-	-	63
Instruction library, media and technology	553,605	-	-	-	553,605
School site administration	1,988,610	-	-	-	1,988,610
Pupil services:					
Home-to-school transportation	418,318	-	-	-	418,318
Food services	-	1,240,863	-	-	1,240,863
All other pupil services	1,308,096	-	-	-	1,308,096
General administration:					
All other general administration	1,907,858	-	-	-	1,907,858
Plant services	2,572,193	-	262,635	1,459	2,836,287
Ancillary services	42,648	-	-	-	42,648
Other outgo	696,536	-	-	-	696,536
Debt service:					
Principal	-	-	-	45,307	45,307
Interest and fees	-	-	-	139,809	139,809
Total expenditures	25,003,758	1,240,863	262,635	186,575	26,693,831
Excess (deficiency) of revenues over (under) expenditures	568,135	117,162	(172,253)	494,362	1,007,406
Other financing sources (uses):					
Transfers in	-	-	-	200,000	200,000
Transfers out	(200,000)	-	-	-	(200,000)
Bond premiums	-	-	162,000	-	162,000
Total other financing sources (uses)	(200,000)	-	162,000	200,000	162,000
Net change in fund balances	368,135	117,162	(10,253)	694,362	1,169,406
Fund balances beginning	9,643,132	76,919	4,210,523	1,045,767	14,976,341
Fund balances ending	\$ 10,011,267	\$ 194,081	\$ 4,200,270	\$ 1,740,129	\$ 16,145,747

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, 2020

Total net change in fund balances - governmental funds	\$	1,169,406
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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	\$	41,360	
Depreciation expense		<u>(584,876)</u>	(543,516)

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:

Bond premium		(162,000)	
Premium amortization		3,226	
Repayment of notes payable		<u>45,307</u>	(113,467)

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.

(1,151,008)

In the Statement of Activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year, vacation paid exceeded the amounts earned.

(11,011)

Changes in net position of governmental activities

\$ (649,596)

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, 2020

	<u>Student Body Agency Fund Total</u>
Assets	
Cash on hand and in banks	<u>\$ 47,069</u>
Total Assets	<u><u>\$ 47,069</u></u>
Liabilities	
Due to student groups	<u>\$ 47,069</u>
Total Liabilities	<u><u>\$ 47,069</u></u>

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

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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, 2020, 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.

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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.

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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.
- The *Pupil Transportation Fund* is used for the purpose of transporting students.

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.

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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.

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

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, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

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

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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.

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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

<u>Assets</u>	<u>Years</u>
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

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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. Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. As of June 30, 2020, capital assets net of accumulated depreciation totaling \$7,888,624 was increased by unspent bond proceeds of \$4,200,270 and reduced by related debt of \$4,200,000, which excluded premiums attributed to cash reserves for debt service of \$252,333. 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.

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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.

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.

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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. 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 were initially to be effective for financial statements for periods beginning after December 15, 2018 but have been delayed to periods beginning after December 15, 2019, pursuant to GASB Statement No. 95. Earlier application is encouraged. The District does not 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

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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 were initially to be effective for financial statements for periods beginning after December 15, 2019 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The District does not 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 were initially to be effective for financial statements for periods beginning after December 15, 2019 but have been delayed to periods beginning after December 15, 2020, pursuant to GASB Statement No. 95. Earlier application is encouraged. The District does not 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 were initially to be effective for financial statements for periods beginning after December 15, 2018, but have been delayed to periods beginning after December 15, 2019, pursuant to GASB Statement No. 95. 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 does not 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 were initially to be effective for financial statements for periods beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The District does not believe this statement will have a significant impact on the District's financial statements.

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

GASB Statement No. 92, *Omnibus 2020*

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement were initially to be effective for financial statements for periods beginning after June 15, 2020 but have been delayed to periods beginning after June 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The District does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement were initially to be effective for financial statements for periods beginning after June 15, 2020 but have been delayed to periods beginning after June 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The District does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 94, *Public-Private Partnerships and Public-Public Partnerships and Availability Payment Arrangements*

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged. The District does not believe this statement will have a significant impact on the District's financial statements.

Red Bluff Union Elementary School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - CASH AND INVESTMENTS

A summary of deposits as of June 30, 2020, 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	15,260,992	15,789,587	Not Rated
Total Cash and Investments	<u>\$ 15,275,492</u>	<u>\$ 15,804,087</u>	
Fiduciary Funds:			
Cash in banks	\$ 47,069	\$ 47,069	Not Rated
Total Cash and Investments	<u>\$ 47,069</u>	<u>\$ 47,069</u>	

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, 2020, the bank balance of the District's accounts with banks was \$62,823, 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

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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 \$147.8 million and an amortized book value of \$142.9 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.

Red Bluff Union Elementary School District**Notes to the Basic Financial Statements****For the Fiscal Year Ended June 30, 2020****NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of June 30, 2020:

Receivables	Cafeteria			Total
	General Fund	Special Revenue Fund	Nonmajor Funds	
Federal Government	\$ 253,696	\$ 247,079	\$ -	\$ 500,775
State Government	238,163	-	-	238,163
Unrestricted:				
LCFF Apportionment	2,758,152	-	-	2,758,152
Other local resources	198,973	-	21,168	220,141
Totals	<u>\$ 3,448,984</u>	<u>\$ 247,079</u>	<u>\$ 21,168</u>	<u>\$ 3,717,231</u>

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, 2020:

Fund	Due From Other Funds	Due to Other Funds
General Fund	\$ 144,529	\$ -
Cafeteria Special Revenue Fund	-	144,529
Building Fund	-	93,559
Nonmajor Funds	93,559	-
Totals	<u>\$ 238,088</u>	<u>\$ 238,088</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2020 were as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 200,000
Nonmajor funds	200,000	-
Totals	<u>\$ 200,000</u>	<u>\$ 200,000</u>

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2020, is shown below:

Capital Assets	Balance January 00, 1900	Additions	Adjustments & Deletions	Balance June 30, 2020
Land - not depreciable	\$ 419,500	\$ -	\$ -	\$ 419,500
Buildings and improvements	17,687,169	-	-	17,687,169
Furniture and equipment	2,921,874	41,360	-	2,963,234
Total capital assets	21,028,543	41,360	-	21,069,903
Less accumulated depreciation for:				
Buildings and improvements	10,410,179	409,534	-	10,819,713
Furniture and equipment	2,186,224	175,342	-	2,361,566
Total accumulated depreciation	12,596,403	584,876	-	13,181,279
Total capital assets - net depreciation	\$ 8,432,140	\$ (543,516)	\$ -	\$ 7,888,624

Depreciation expense was charged to governmental activities as follows:

Governmental Activity	Depreciation Expense
Instruction	\$ 3,678
School site administration	436,762
Home-to-school transportation	80,678
All other general administration	8,627
Plant services	55,131
Total depreciation expense	\$ 584,876

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, 2020:

Description	Balance July 01, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
General Obligation Bonds	\$ 4,293,559	\$ 162,000	\$ 3,226	\$ 4,452,333	\$ 280,000
Note Payable	166,886	-	45,307	121,579	47,889
Net Pension Liabilities	22,882,708	7,957,173	7,424,549	23,415,332	-
Net OPEB Liability	3,543,943	1,150,334	1,925,365	2,768,912	-
Compensated Absences	49,759	11,011	-	60,770	30,385
Total Long-term Liabilities	\$ 30,936,855	\$9,280,518.00	\$ 9,398,447	\$ 30,818,926	\$ 358,274

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.

Red Bluff Union Elementary School District**Notes to the Basic Financial Statements****For the Fiscal Year Ended June 30, 2020**

A summary of the District's general obligation bonded debt as of June 30, 2020 is as follows:

Bond	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2019	Issued	Redeemed	Bonds Outstanding June 30, 2020
2018 GOB, Series 2019	2019	2048	2.8-3.35%	\$ 4,200,000	\$ 4,200,000	\$ -	-	\$ 4,200,000
Premiums				-	93,559	162,000	3,226	252,333
Total General Obligation Bonds				\$ 4,200,000	\$ 4,293,559	\$ 162,000	\$ 3,226	\$ 4,452,333

The annual debt service requirements of the bonds as of June 30, 2020 are as follows:

Fiscal Year Ending	Principal	Interest	Total
2021	\$ 280,000	\$ 173,213	\$ 453,213
2022	255,000	162,013	417,013
2023	-	151,813	151,813
2024	-	151,813	151,813
2025	-	151,813	151,813
2026-2030	105,000	755,663	860,663
2031-2035	370,000	712,263	1,082,263
2036-2040	665,000	616,663	1,281,663
2041-2045	1,145,000	465,083	1,610,083
2046-2048	1,380,000	180,000	1,560,000
Total Debt Service	\$ 4,200,000	\$ 3,520,337	\$ 7,720,337

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 payments are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 47,889	\$ 6,837	\$ 54,726
2022	51,271	3,455	54,726
2023	22,419	385	22,804
Total Debt Service	\$ 121,579	\$ 10,677	\$ 132,256

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.

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2020, 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	19.721%	19.721%

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

For the year ended June 30, 2020, the contributions for the Plan were as follows:

	CalPERS
Employer Contributions	\$ 870,450

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

As of June 30, 2020, 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)
CalPERS	\$ 8,964,772

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, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as

Red Bluff Union Elementary School District**Notes to the Basic Financial Statements****For the Fiscal Year Ended June 30, 2020**

of June 30, 2018 rolled forward to June 30, 2019 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, 2019 and 2020 was as follows:

	CalPERS
Proportion - June 30, 2019	0.03067%
Proportion - June 30, 2020	0.03076%
Change - Increase/(Decrease)	0.00009%

For the year ended June 30, 2020, the District recognized pension expense of \$1,995,937 for the Plan. At June 30, 2020, 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	\$ 426,751	\$ -
Differences between Expected and Actual Experience	651,202	-
Differences between Projected and Actual Investment Earnings	-	83,150
Differences between Employer's Contributions and Proportionate Share of Contributions	-	29,331
Change in Employer's Proportion	14,873	83,781
Pension Contributions Made Subsequent to Measurement Date	870,450	-
Total	\$ 1,963,276	\$ 196,262

The District reported \$870,450 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Deferred Outflows/ (Inflows) of Resources
Fiscal Year Ending June 30:	CalPERS
2021	\$ 677,085
2022	102,215
2023	83,205
2024	34,059
Total	\$ 896,564

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

Actuarial Assumptions - The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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, 2019 based on June 30, 2018 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

Red Bluff Union Elementary School District**Notes to the Basic Financial Statements****For the Fiscal Year Ended June 30, 2020**

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.

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
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	<u>100.00%</u>		

(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:

	<u>CalPERS</u>
1% Decrease	6.15%
Net Pension Liability	\$ 12,922,129
Current	7.15%
Net Pension Liability	\$ 8,964,772
1% Increase	8.15%
Net Pension Liability	\$ 5,681,871

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2020, 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	18.130%	18.130%
Required State contribution rates	10.328%	10.328%

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, 2020 the contributions for the Plan were as follows:

	CalSTRS
Employer Contributions	\$ 1,523,742
State Contributions	1,104,106
Total	\$ 2,627,848

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

Red Bluff Union Elementary School District**Notes to the Basic Financial Statements****For the Fiscal Year Ended June 30, 2020**

As of June 30, 2020, 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	\$	14,450,560
State		7,883,792
Total	\$	22,334,352

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, 2019, 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, 2018 rolled forward to June 30, 2019 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 8.9 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year plus an additional \$854,606 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, 2019 and 2020 was as follows:

	CalSTRS
Proportion - June 30, 2019	0.01600%
Proportion - June 30, 2020	0.01600%
Change - Increase/(Decrease)	0.00000%

For the year ended June 30, 2020, the District recognized pension expense of \$3,212,301 for the Plan which included a \$1,104,106 contribution from the state. At June 30, 2020, 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	\$ 1,827,680	\$ -
Differences between Expected and Actual Experience	36,480	407,200
Differences between Projected and Actual Investment Earnings	-	556,640
Differences between Employer's Contributions and Proportionate Share of Contributions	18,952	298,977
Change in Employer's Proportion	564,857	436,709
Pension Contributions Made Subsequent to Measurement Date	1,523,742	-
Total	\$ 3,971,711	\$ 1,699,526

Red Bluff Union Elementary School District**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

The District reported \$1,523,742 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, 2021.

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	Deferred Outflows/ (Inflows) of Resources
Ending June 30:	CalSTRS
2021	\$ 265,009
2022	(120,911)
2023	258,578
2024	414,371
2025	22,609
Thereafter	(91,213)
Total	\$ 748,443

Actuarial Assumptions - The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

investment rate of return (7.10 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%	4.75%
Fixed Income	12.00%	1.25%
Real Estate	13.00%	3.55%
Private Equity	13.00%	6.25%
Risk Mitigating Strategies	9.00%	1.75%
Inflation Sensitive	4.00%	3.25%
Cash/Liquidity	2.00%	-0.35%
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	\$ 21,518,080
Current	7.10%
Net Pension Liability	\$ 14,450,560
1% Increase	8.10%
Net Pension Liability	\$ 910,240

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

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2019 (the valuation date), the benefit terms covered the following employees:

Active employees	215
Inactive employees	14
Total employees	229

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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 \$768,104. Total benefit payments included in the measurement period were \$287,506. The actuarially determined contribution for the measurement period was \$443,272. The District's contributions were 5.7% of payroll during the measurement period June 30, 2019 (reporting period June 30, 2020). 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, 2019
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry-Age
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	4.40%
Inflation	3.00%
Salary Increases	3.00%
Healthcare Trend Rate	6.00% for 2019; 5.90% for 2020; decreasing 0.10% per year to an ultimate rate of 5.00% for 2029 and later years
Investment Rate of Return	5%, Net of OPEB plan investment expenses
Mortality	RP-2014 Employee 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.

Red Bluff Union Elementary School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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, 2019 (measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 (valuation date) for the fiscal year ended June 30, 2020 (reporting date). The following summarizes the changes in the net OPEB liability during the year ended June 30, 2020, for the measurement date of June 30, 2019:

Fiscal Year Ended June 30, 2020 (Measurement Date June 30, 2019)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2019	\$ 3,947,295	\$ 403,352	\$ 3,543,943
Service cost	310,893	-	310,893
Interest in Total OPEB Liability	176,162	-	176,162
Employer contributions	-	768,104	(768,104)
Balance of diff between actual and exp experience	(616,501)	-	(616,501)
Balance of changes in assumptions	156,149	-	156,149
Actual investment income	-	35,519	(35,519)
Administrative expenses	-	(1,889)	1,889
Benefit payments	(287,506)	(287,506)	-
Net changes	(260,803)	514,228	(775,031)
Balance at June 30, 2020	\$ 3,686,492	\$ 917,580	\$ 2,768,912

Covered Employee Payroll	\$ 13,467,721
Total OPEB Liability as a % of Covered Employee Payroll	27.37%
Plan Fid. Net Position as a % of Total OPEB Liability	24.89%
Service Cost as a % of Covered Employee Payroll	2.31%
Net OPEB Liability as a % of Covered Employee Payroll	20.56%

Red Bluff Union Elementary School District**Notes to the Basic Financial Statements****For the Fiscal Year Ended June 30, 2020****Deferred Inflows and Outflows of Resources**

At June 30, 2020, 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	\$ -	\$ 536,436
Difference between actual and expected earnings	-	8,424
Change in assumptions	249,854	-
OPEB contribution subsequent to measurement date	475,620	-
Totals	\$ 725,474	\$ 544,860

Of the total amount reported as deferred outflows of resources related to OPEB, \$475,620 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,	
2021	\$ (41,082)
2022	(41,082)
2023	(37,694)
2024	(36,521)
2025	(36,989)
Thereafter	(101,638)
Total	\$ (295,006)

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2020:

Service cost	\$ 310,893
Interest in TOL	176,162
Expected investment income	(37,858)
Difference between actual and expected experience	(80,065)
Difference between actual and expected earnings	(4,093)
Change in assumptions	43,076
Administrative expenses	1,889
OPEB Expense	\$ 410,004

Red Bluff Union Elementary School DistrictNotes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2020:

Net OPEB liability ending	\$ 2,768,912
Net OPEB liability beginning	<u>(3,543,943)</u>
Change in net OPEB liability	(775,031)
Changes in deferred outflows	(113,073)
Changes in deferred inflows	530,004
Employer contributions and implicit subsidy	<u>768,104</u>
OPEB Expense	<u>\$ 410,004</u>

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)	4.40%	(1% Increase)
Net OPEB Liability (Asset)	\$	3,010,213	\$ 2,768,912	\$ 2,543,931

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)	6.00% decreasing to 5.00%	(1% Increase)
Net OPEB Liability (Asset)	\$	2,454,295	\$ 2,768,912	\$ 3,128,191

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

Red Bluff Union Elementary School District

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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.

NOTE 11 - SUBSEQUENT EVENTS

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of the financial statements, the District had not suffered a material adverse impact from the CV19 Crisis. At the date of the issuance of these financial statements, the future impact of the CV19 Crisis cannot be reasonably estimated.

**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, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
LCFF sources:	\$ 20,634,594	\$ 20,908,684	\$ 20,887,625	\$ (21,059)
Federal revenues	1,437,888	1,441,303	1,418,135	(23,168)
Other state	1,289,033	2,082,918	2,079,131	(3,787)
Other local	716,638	1,015,193	1,187,002	171,809
Total revenues	24,078,153	25,448,098	25,571,893	123,795
Expenditures:				
Certificated salaries	9,442,822	9,682,537	9,601,195	81,342
Classified salaries	3,783,322	3,793,562	3,726,470	67,092
Employee benefits	7,160,188	7,260,110	7,245,455	14,655
Books and supplies	1,300,692	1,130,124	917,794	212,330
Services and other operating expenditures	2,808,979	2,647,057	2,473,386	173,671
Capital outlay	278,805	347,000	342,918	4,082
Other outgo	425,525	827,808	696,540	131,268
Total expenditures	25,200,333	25,688,198	25,003,758	684,440
Excess (deficiency) of revenues over (under) expenditures	(1,122,180)	(240,100)	568,135	808,235
Other financing sources (uses):				
Transfers out	-	-	(200,000)	(200,000)
Total other financing sources (uses)	-	-	(200,000)	(200,000)
Change in fund balance	\$ (1,122,180)	\$ (240,100)	368,135	\$ 608,235
Fund balances beginning			9,643,132	
Fund balance ending			\$ 10,011,267	

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, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
Federal revenues	\$ 1,043,680	\$ 1,089,454	\$ 1,183,017	\$ 93,563
Other state	83,000	73,820	89,335	15,515
Other local	131,300	133,013	85,673	(47,340)
Total revenues	1,257,980	1,296,287	1,358,025	61,738
Expenditures:				
Classified salaries	478,653	481,982	481,227	755
Employee benefits	277,245	256,281	243,970	12,311
Books and supplies	446,961	526,555	473,056	53,499
Services and other operating expenditures	23,000	43,250	42,610	640
Total expenditures	1,225,859	1,308,068	1,240,863	67,205
Excess (deficiency) of revenues over (under) expenditures	32,121	(11,781)	117,162	128,943
Change in fund balance	\$ 32,121	\$ (11,781)	117,162	\$ 128,943
Fund balances beginning			76,919	
Fund balance ending			\$ 194,081	

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, 2020

CALPERS	2015	2016	2017	2018	2019	2020
Contractually Required Contributions	\$ 381,252	\$ 461,840	\$ 545,945	\$ 589,566	\$ 770,120	\$ 870,450
Contributions in Relation to Contractually Required Contributions	381,252	461,840	545,945	589,566	770,120	870,450
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,238,909	\$ 3,898,371	\$ 3,931,056	\$ 3,796,059	\$ 4,263,758	\$ 4,413,822
Contributions as a % of Covered Payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%

Notes to Schedule:

Valuation Date: June 30, 2018

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 six 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 Liability
For the Fiscal Year Ended June 30, 2020

CALPERS	2015	2016	2017	2018	2019	2020
District's Proportion of Net Pension Liability	0.02750%	0.02791%	0.02908%	0.03083%	0.03067%	0.03076%
District's Proportionate Share of Net Pension Liability	\$ 3,121,920	\$ 4,114,506	\$ 5,742,744	\$ 7,359,935	\$ 8,177,588	\$ 8,964,772
District's Covered Payroll	\$ 2,886,777	\$ 3,238,909	\$ 3,898,371	\$ 3,931,056	\$ 3,796,059	\$ 4,263,758
District's Proportionate Share of NPL as a % of Covered Payroll	108.15%	127.03%	147.31%	187.23%	215.42%	210.26%
Plan's Fiduciary Net Position as a % of the TPL	83.38%	79.43%	73.90%	71.87%	70.85%	70.05%

Fiscal year 2015 was the first year of implementation, therefore only six 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

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, 2020

CalSTRS	2015	2016	2017	2018	2019	2020
Contractually Required Contributions	\$ 660,219	\$ 834,243	\$ 1,007,586	\$ 1,243,392	\$ 1,417,192	\$ 1,523,742
Contributions in Relation to Contractually Required Contributions	660,219	834,243	1,007,586	1,243,392	1,417,192	1,523,742
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 7,434,899	\$ 7,774,865	\$ 8,009,428	\$ 8,616,715	\$ 8,705,111	\$ 8,404,533
Contributions as a % of Covered Payroll	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%

Notes to Schedule:

Valuation Date: June 30, 2019

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 Liability
For the Fiscal Year Ended June 30, 2020

CalSTRS	2015	2016	2017	2018	2019	2020
District's Proportion of Net Pension Liability	0.01600%	0.01394%	0.01429%	0.01500%	0.01600%	0.01600%
District's Proportionate Share of Net Pension Liabi \$	9,349,920	\$ 9,387,417	\$ 11,556,537	\$ 13,871,850	\$ 14,705,120	\$ 14,450,560
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	7,883,792
Total	<u>\$ 14,995,776</u>	<u>\$ 14,352,328</u>	<u>\$ 18,135,442</u>	<u>\$ 22,078,298</u>	<u>\$ 23,124,536</u>	<u>\$ 22,334,352</u>
District's Covered Payroll	\$ 6,943,297	\$ 7,434,899	\$ 7,774,865	\$ 8,009,428	\$ 8,616,715	\$ 8,705,111
District's Proportionate Share of NPL as a % of Covered Payroll	134.66%	126.26%	148.64%	173.19%	170.66%	166.00%
Plan's Fiduciary Net Position as a % of the TP	76.52%	74.02%	70.04%	69.46%	72.56%	72.56%

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, 2020**

<u>Fiscal Year Ended</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution (ADC)	\$ 449,863	\$ 463,359	\$ 443,272
Less: actual contribution in relation to ADC	(531,107)	(518,769)	(475,620)
Contribution deficiency (excess)	<u>\$ (81,244)</u>	<u>\$ (55,410)</u>	<u>\$ (32,348)</u>
Covered employee payroll	\$ 12,541,629	\$ 13,075,537	\$ 13,467,721
Contrib. as a % of covered employee payroll	4.23%	3.97%	3.53%

Notes to Schedule:*Assumptions and Methods*

Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry-Age Normal Cost
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	4.40%
Inflation	3.00%
Salary Increases	3.00%
Healthcare Trend Rate	6.00% for 2019; 5.90% for 2020; decreasing
Investment Rate of Return	5%, Net of OPEB plan investment expenses
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 no changes in benefit terms.

The discount rate increased from 4.28% to 4.40% and the trend rate decreased from 6.00% to 5.90% from 2019 to 2020.

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the

Red Bluff Union Elementary School District
Schedule of Changes in Net OPEB Liability
For the Fiscal Year Ended June 30, 2020

Fiscal Year Ended	2018	2019	2020
Total OPEB liability			
Service cost	\$ 293,059	\$ 301,850	\$ 310,893
Interest	167,335	173,476	176,162
Differences between expected and actual experience	-	-	(616,501)
Changes of assumptions	-	159,578	156,149
Benefit payments	(364,014)	(310,481)	(287,506)
Net change in Total OPEB Liability	96,380	324,423	(260,803)
Total OPEB Liability - beginning	3,526,492	3,622,872	3,947,295
Total OPEB Liability - ending	<u>\$ 3,622,872</u>	<u>\$ 3,947,295</u>	<u>\$ 3,686,492</u>
Plan fiduciary net position			
Employer contributions	\$ 364,014	\$ 310,481	\$ 768,104
Net investment income	34,316	24,793	35,519
Benefit payments	(364,014)	(310,481)	(287,506)
Administrative expense	(156)	-	(1,889)
Net change in plan fiduciary net position	34,160	24,793	514,228
Plan fiduciary net position - beginning	344,399	378,559	403,352
Plan fiduciary net position - ending	<u>\$ 378,559</u>	<u>\$ 403,352</u>	<u>\$ 917,580</u>
Net OPEB liability (asset)	\$ 3,244,313	3,543,943	2,768,912
Plan fiduciary net position as a percentage of the total OPEB liability	10.45%	10.22%	24.89%
Covered Employee Payroll	\$ 12,176,339	\$ 12,541,629	\$ 13,075,537
Net OPEB liability as a percentage of covered employee payroll	26.64%	28.26%	21.18%
Total OPEB liability as a percentage of covered employee payroll	29.75%	31.47%	28.19%

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.

The discount rate increased from 4.28% to 4.40% and the trend rate decreased from 6.00% to 5.90% from 2019 to 2020.

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**SUPPLEMENTARY
INFORMATION**

Red Bluff Union Elementary School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue Funds		Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	Deferred Maintenance Fund	Pupil Transportation Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	
Assets					
Cash and investments	\$ 898,346	\$ 200,670	\$ 117,418	408,968	\$ 1,625,402
Accounts receivable	-	-	21,168	-	21,168
Due from other funds	-	-	-	93,559	93,559
Total Assets	\$ 898,346	\$ 200,670	\$ 138,586	\$ 502,527	\$ 1,740,129
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-	-
Fund Balances:					
Restricted for capital projects	-	-	138,586	-	138,586
Restricted for debt service	-	-	-	502,527	502,527
Assigned for site repairs	898,346	-	-	-	898,346
Assigned for transportation	-	200,670	-	-	200,670
Total Fund Balances	898,346	200,670	138,586	502,527	1,740,129
Total Liabilities and Fund Balances	\$ 898,346	\$ 200,670	\$ 138,586	\$ 502,527	\$ 1,740,129

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, 2020

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Deferred Maintenance Fund</u>	<u>Pupil Transportation Fund</u>	<u>Capital Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	
Revenues:					
LCFF Sources	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Other state	-	-	-	8,282	8,282
Other local	15,611	670	75,297	531,077	622,655
Total revenues	65,611	670	75,297	539,359	680,937
Expenditures:					
Plant services	-	-	1,459	-	1,459
Debt service:					
Principal	-	-	45,307	-	45,307
Interest and fees	-	-	9,418	130,391	139,809
Total expenditures	-	-	56,184	130,391	186,575
Excess (deficiency) of revenues over (under) expenditures	65,611	670	19,113	408,968	494,362
Other financing sources (uses):					
Transfers in	-	200,000	-	-	200,000
Total other financing sources (uses)	-	200,000	-	-	200,000
Change in fund balances	65,611	200,670	19,113	408,968	694,362
Fund balances beginning	832,735	-	119,473	93,559	1,045,767
Fund balances ending	\$ 898,346	\$ 200,670	\$ 138,586	\$ 502,527	\$ 1,740,129

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COMPLIANCE SECTION

Red Bluff Union Elementary School District

Organization (Unaudited)

For the Fiscal Year Ended June 30, 2020

The District was established in 1929 and 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, 2020.

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	2022

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, 2020

	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA:		
Grades TK/K through three	869.44	869.44
Grades four through six	637.92	637.92
Grades seven and eight	392.03	392.03
Regular ADA Totals	<u>1,899.39</u>	<u>1,899.39</u>
Extended year special education:		
Grades TK/K through three	36.96	36.96
ADA Totals	<u>1,936.35</u>	<u>1,936.35</u>

On March 16, 2020, the California Legislature passed and, on March 17, 2020, Governor Newsom signed, Senate Bill (SB) 117. This bill is a companion to Governor Newsom's Executive Order N-26-20 and mitigates the effect of lost attendance due to COVID-19 that occurred after February 29, 2020. For the purpose of preventing losses of attendance-based funding as a result of reductions in average daily attendance (ADA) due to COVID-19, this legislation provides that the ADA used for both the second period (P-2) and the Annual period apportionment includes all full school months from July 1, 2019 to February 29, 2020 for all local educational agencies (LEAs).

Red Bluff Union Elementary School District
Schedule of Instructional Time Offered
For the Fiscal Year Ended June 30, 2020

Grade Level	Minutes Requirements	2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	56,225	180	0	In Compliance
Grade 1	50,400	53,525	180	0	In Compliance
Grade 2	50,400	53,525	180	0	In Compliance
Grade 3	50,400	53,525	180	0	In Compliance
Grade 4	54,000	54,245	180	0	In Compliance
Grade 5	54,000	54,245	180	0	In Compliance
Grade 6	54,000	54,425	180	0	In Compliance
Grade 7	54,000	54,425	180	0	In Compliance
Grade 8	54,000	54,425	180	0	In Compliance

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

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.

On March 13, 2020, the California Governor issued an Executive Order regarding the physical closure of schools by local educational agencies (LEAs) in response to the COVID-19 pandemic. Executive Order N-26-20 established a streamlined process for school closures (COVID-19 School Closure Certification) in lieu of the existing process for submitting Requests for Allowance of Attendance Due to Emergency Conditions (Form J-13A).

Red Bluff Union Elementary School District
Schedule of Charter Schools (Unaudited)
For the Fiscal Year Ended June 30, 2020

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, 2020

	(Budget ¹) 2021	2020	2019	2018
General Fund				
Revenues and other financial sources	\$ 22,576,008	\$ 25,571,893	\$ 25,176,904	\$ 23,229,578
Expenditures	24,674,305	25,003,758	23,853,779	23,021,367
Other uses and transfers (out)	50,000	200,000	-	-
Total outgo	24,724,305	25,203,758	23,853,779	23,021,367
Change in fund balance	\$ (2,148,297)	\$ 368,135	\$ 1,323,125	\$ 208,211
Ending fund balance	\$ 7,862,970	\$ 10,011,267	\$ 9,643,132	\$ 8,320,007
Available reserves ⁽²⁾	\$ 1,557,939	\$ 2,087,984	\$ 5,183,876	\$ 3,813,974
Reserve for economic uncertainties	\$ 1,500,000	\$ 1,500,000	\$ 4,500,000	\$ 725,000
Unassigned fund balance	\$ 57,939	\$ 587,984	\$ 683,876	\$ 3,088,974
Available reserves as a percentage of total outgo	6.3%	8.3%	21.7%	16.6%
Total long-term liabilities	\$ 30,460,652	\$ 30,818,926	\$ 30,936,855	\$ 24,729,456
Average daily attendance (ADA) at P-2	1,915	1,936	1,949	1,937

ADA has decreased by 1 over the past three years. The District anticipates a decrease of 21 in ADA next year.

The General Fund balance has increased by \$1,691,260 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 2020-21 budget projects a \$2,148,297 decrease in fund balance.

The District has had an operating surplus in each of the past three years. Total long-term liabilities has increased by \$5,927,470 over the past three years.

¹ Budget numbers are based on the first adopted budget of the fiscal year 2020/21.

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, 2020

<u>PROGRAM NAME</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through Tehama County Office of Education:			
Forest Reserve	10.665	10044	\$ 39,160
Passed through California Department of Education:			
<i>Child Nutrition Cluster</i>			
Child Nutrition: School Programs (NSL Sec 11)	10.555	13524	<u>1,183,017</u>
<i>Total Child Nutrition Cluster</i>			<u>1,183,017</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,222,177</u>
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
<i>Special Education Cluster</i>			
IDEA Local Assistance, Basic Local Assistance	84.027	13379	<u>253,696</u>
<i>Total Special Education Cluster</i>			<u>253,696</u>
 ESEA (ESSA): Title V, Part B, Rural & Low Income School Program (aka REAP)	84.358	14356	44,748
Title II, Improving Teacher Quality	84.367	14341	107,016
NCLB (ESEA) : Title III, Limited English Proficient (LEP) Student Program	84.365	14346	60,792
ESSA: Title IV, Part A, Student Support and Academic Enrichment Grant Program	84.424	15391	10,535
Title I, Basic Grants Low Income and Neglected	84.010 ⁽¹⁾	14329	<u>884,081</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>1,360,868</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education:			
<i>Medicaid Nutrition Cluster</i>			
Medi-Cal Billing Option	93.778	10013	<u>18,107</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>18,107</u>
TOTAL FEDERAL PROGRAMS			<u>\$ 2,601,152</u>

⁽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, 2020

	General Fund	Cafeteria Fund	Building Fund	Other Nonmajor Governmental Funds
June 30, 2020 Annual Financial and Budget Report Fund Balances	\$ 9,278,261	\$ 194,081	\$ 4,293,829	\$ 2,379,576
Adjustments and Reclassifications:				
Bond Premium Reclassification	-	-	(93,559)	93,559
Special Reserve Fund for Other Postemployment Benefits	733,006	-	-	(733,006)
June 30, 2020 Audited Financial Statements Fund Balances	<u>\$ 10,011,267</u>	<u>\$ 194,081</u>	<u>\$ 4,200,270</u>	<u>\$ 1,740,129</u>

Red Bluff Union Elementary School District

Notes to Compliance Section For the Fiscal Year Ended June 30, 2020

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.

Red Bluff Union Elementary School District

Notes to Compliance Section

For the Fiscal Year Ended June 30, 2020

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**



**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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 5, 2021.

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



Chavan and Associates, LLP
Certified Public Accountants

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

March 5, 2021
San Jose, California



Chavan and Associates, LLP

Certified Public Accountants

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, 2020. 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, 2020.



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

March 5, 2021
San Jose, California



**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 *2019-20 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, 2020.

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, *2019-20 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 *2019-20 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:

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes



Chavan and Associates, LLP
Certified Public Accountants

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, 2020.

C & A LLP

March 5, 2021
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, 2020

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

84.010

Title I, Basic Grants Low Income and Neglected

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

Red Bluff Union Elementary School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

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.

Red Bluff Union Elementary School District
Status of Prior Findings and Recommendations
For the Fiscal Year Ended June 30, 2020

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.